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NEWS SUMMARY

GENERAL

Chinese millions need food aid

Several million people in two central provinces of China are facing malnutrition and near-starvation and some of the world's largest food producing countries, including the U.S., Canada, Australia, and EEC members are considering what aid they can give.

China, which has prided itself on its ability to feed its vast population without outside help, has approached the United Nations, whose disaster relief organisation has been holding secret discussions in Geneva. Back Page.

● The International Wheat Council has forecast bumper crops in 1981-82. Back Page.

Mrs Bhutto jailed

Mrs. Nusrat Bhutto, widow of Pakistan's executed premier, was jailed by the country's authorities, who claimed her son Murtaza was behind the airliner hijacking. Daughter Benazir has "gone underground," and escaped a police swoop.

In Kabul last night, the hijackers, who have been demanding the release of 92 detainees in Pakistan, hinted they might compromise.

Later Soviet news agency Tass reported that the aircraft had left Kabul.

'Try Bani-Sadr!'

Former revolutionary judge Ayatollah Khalkhali, who ordered hundreds of executions in Iran, has called for the dismissal and trial of President Bani-Sadr, for his alleged part in violent incidents in a Tehran political rally last week. Page 2

80 guards freed

About 80 of the 250 Guardia Civil who seized the Spanish Parliament last month have been freed. No charges have yet been brought against the leaders of the attempted coup.

Drug charges

Nine men will appear in a Sussex court today charged with smuggling cannabis following Friday's Channel chase of the ship Sea Rover.

Dole challenge

Unemployed Royston Austin, 64, of Lincoln, has sent Mrs. Thatcher a £60 unemployment benefit cheque and challenged her to live on it for a fortnight.

Madam president

Miss Sandy Jones, 21, whose parents live in Tenterden, Kent, has been elected president of the Oxford Union.

Wasted medicine

Cutting needless waste of medicines could save Britain up to £100m a year, said Health Minister Dr. Gerard Vaughan. The Medical Research Council is to spend an extra £2m a year. Page 4

New York for £99

Holiday operator Jetsave is offering £99 return flights from Britain to New York in May June and October. Back Page

Vive le sport!

Two French journalists, arrested for trespass in the grounds of Prince Charles's Gloucestershire home, Highgrove House, were freed. Police are not charging them.

Briefly . . .

Bomb thrown into a Zurich fashion shop started a fire which caused £¼m of damage.

At least 30 were killed and more than 100 injured when an Argentine passenger train hit a goods train, and 23 were killed and 107 injured when a train was hit by a truck on a Taiwan crossing.

Two Palestinian guerrillas were captured after trying to enter Israel in motorised hang-gliders.

BUSINESS

Sharp fall in truck sales forecast

HEAVY TRUCK SALES are expected to fall this year to the lowest level since 1970 when records were first kept in their present form, according to the Society of Motor Manufacturers. Back Page

● ELECTRICITY supply industry may introduce a contract which would mean lower prices for some major industrial customers. Back Page

● ICI is pressing the Government to give manufacturers grants, tax allowances or low interest loans so they can switch from oil back to coal. Page 4

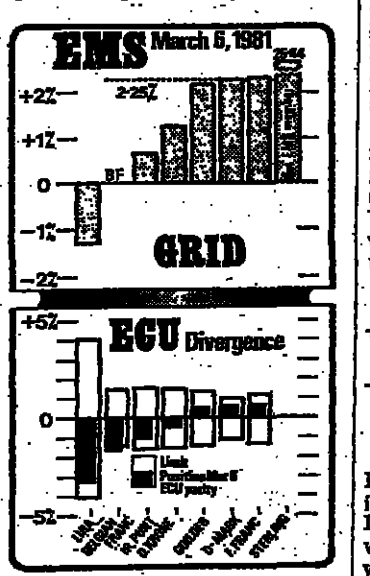
● BOWATER CORPORATION will have to bear redundancy, closure and plant write-off costs of £24m-£29m as a result of Ellesmere Port paper mill closure. Page 5

● BASE LENDING RATE of three French banks was cut from 13 per cent to 12.75 per cent only one week after being raised from 12.25 per cent.

● BELGIAN Treasury certificate rates were raised for the second time in a week last Friday, and the Belgian National Bank increased its Lombard rate to 13 per cent from 12 per cent on Wednesday. Despite these moves the Belgian franc remained well outside its alarm bell limit within the European Monetary System throughout last week.

● At this level the central bank is expected to take corrective action, but although the Belgian authorities continued to support the franc it finished at its floor against the French franc, D-mark, and only slightly above the lowest permitted limited against the Dutch guilder.

Following the sharp rise in German interest rates the D-mark has threatened to overtake the French franc as the strongest member of the system. Page 18



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● EEC countries will be encouraged to spend at least another £70m on the Joint European Torus experiment in controlled thermo-nuclear fusion. Back Page

● BRITISH STEEL may sell part of its engineering assets in Consett to a group of North East businessmen. Page 4

● C. T. BOWRING chairman Mr. John Shipton is leaving the insurance group to pursue his other business interests. Page 4

● SOUTH LONDON PRESS has been acquired by two of its directors with the aid of a £1.88m package from Charterhouse Development Capital. Page 14

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Civil Service stoppage may force increased Government borrowing

BY PHILIP BASSETT, LABOUR STAFF

LEADERS OF 530,000 white-collar civil servants yesterday announced a widespread programme of selective strikes in key computer and other areas which could force the Government to increase its borrowing to cover the disruption in revenue collection.

The stoppages will be prefaced by a one-day national strike today throughout the Civil Service.

The action—the first national, official strike in the public sector over pay in this wage round—is in response to the Government's suspension of the service's normal system of pay comparability which it replaced this year with an offer of a 7 per cent increase.

The unions' claim is for a pay rise of 15 per cent, with a minimum increase of £10 a week.

The Government, after being forced to submit to the miners and the water workers, is determined to stand firm against strikes by civil servants, believing their case lacks public support. Officials yesterday would add nothing to Ministers' firm declarations last week that the 7 per cent offer was final.

Today's strike will see the virtual halt of air traffic in Britain as a result of action by air traffic controllers.

Staff at London's Heathrow airport began walking out late last night, as did Customs officials at other air and sea ports whose shifts were due to end after midnight, the official start of the 24-hour national strike.

Social security, unemployment benefit and tax offices will all be hit today, and pickets will be mounted at many Government offices, including departmental headquarters in Whitehall. The Council of Civil Servcie Unions (CCSU) mindful of the Government's restrictions on picketing in its Employment Act and associated code, has isued civil servants with guidance on picketing.

While the unions stress the importance of co-operation with the police and the need to remain within the law, the guidelines urge effective picketing on all entrances to places of work. The picketing of mail deliveries receives special mention.

Today's action seems unlikely to reach the level of 90 per cent support being predicted by some union leaders, but widespread dislocation of Government work seems inevitable.

A first wave of selective strikes was announced yesterday to follow the one-day stoppage. They are aimed at disrupting Government revenue, the implementation of tomorrow's Budget, defence operations and some key company work. Some 1,260 staff will be involved.

Further strikes in other key areas—probably including two Pay As You Earn tax computer centres—will be announced later if necessary.

Mr. Bill Kendall, CCSU secretary-general, said the unions hoped the action would blow the Government's economic strategy immediately off course.

It is likely, though, that the full effects of the strikes will take time to emerge.

Two years ago the then Labour Government admitted that strikes at computer centres by the service's two largest unions were instrumental in causing an increase in borrowing of about 20 per cent and a resulting rise in interest rates.

But it held out against the strikes for nine weeks. In the light of that action, this Government has prepared plans including the suspension of strikers without pay, halting the automatic deduction of union dues from pay, and proposals to allow the voluntary payment of PAYE and VAT money through post offices or the clearing banks. It is not yet clear how effective either the action or the contingency operations will be.

Disruption of VAT revenue is the main component of the financial aspect of the selective action announced yesterday. Some 260 staff—the largest single group involved—at the VAT computer at Southend will stay on strike after today, which the unions estimate will have a net delay on VAT revenue of £250m a week.

THE COUNCIL of Civil Service Unions claimed yesterday that selective industrial action by civil servants would have wide effects:

● DEFENCE—Disruption of the "Wintex" NATO exercise, described as a dry-run of total war conducted partly on paper, which is due to start this week. Supply of spare parts and armaments for Royal Navy also to be hit by strikes by computer operators at key supplies centres.

Naval dockyards operations including continuous refiting programmes for warships due for disruption and delay from strikes by computer staff.

● FINANCE—Action directed at Customs and Excise expected to prevent information reaching VAT and trade statistics computers. Flow of VAT to the Government worth £350m a week likely to be disrupted and repayment to traders worth £100m a week could cease. Computer staff at Paymaster General's Office to take action expected to prevent checks on spending by Government Departments.

● BUDGET DAY—Strike from tomorrow by reprographic staff at Somerset House expected to affect printing of forms required by tax changes in the Budget.

Walkout tomorrow afternoon planned by all Excise and VAT staff who open Budget instructions and act on them.

● COMPANIES HOUSE — Microfiche operators' strike to affect searches on company's records for conveyancing commercial property, sales and share transactions.

● DHSS — Contributions records computer at Newcastle-on-Tyne to be stopped although benefit payments to claimants will continue.

● PORTS AND AIRPORTS—Wide range of selective and lightning action throughout the week involving Customs and Excise and immigration staffs.

Howe Budget is aimed to revive financial strategy

BY PETER RIDDELL

SIR GEOFFREY HOWE, the Chancellor, will tomorrow attempt to relaunch the medium-term financial strategy while offering the hope of at least a start of economic recovery later this year.

The measures will involve an increase in the burden of income tax, a substantial rise in duties on alcohol, tobacco and petrol and limited concessions to private industry, particularly for small businesses.

The main sweetener will be the long-awaited cut in Minimum Lending Rate—probably at least 2 percentage points from the present 14 per cent—which should lead to the announcement of lower bank overdraft and building society mortgage rates by the end of this week.

Sir Geoffrey faces a delicate balancing act to satisfy, or any rate not to alienate, important groups.

A fine dividing line will determine whether the Confederation of British Industry and other business bodies condone the Budget or are in uproar. Relief on energy costs has now overtaken a cut in the employers' National Insurance surcharge in the CBI's list of priorities, although the main aim remains a cut in MLR.

In the City, financial markets have been increasingly worried about the Government's willingness to stick to its strategy.

This follows the further large-scale support for State-owned industries and the reports of an official desire to lower the sterling exchange rate.

A two point cut in MLR is already assumed by the City—and might even be an anti-climax—but a larger reduction could risk undermining confidence.

Sir Geoffrey will attempt to provide reassurance about the Government's intention to pursue the medium-term strategy of cutting inflation through a tight monetary policy backed by a declining trend of public spending and borrowing.

To reinforce this claim the Budget is likely to propose a level of public sector borrowing of no more than £11bn in 1981-1982 compared with about £13bn, and possibly rather more, likely on current policies before Budget changes.

The Budget documents will show, however, how far the main financial indicators have strayed from the original plans in the strategy published last year and how public spending will, yet again, not decline in 1981-1982.

Likely measures

● INCOME TAX. Allowances and higher rate thresholds likely to be raised less than inflation rate, increasing real burden. Move likely to be justified by slowdown in underlying rate of retail price increases.

● INDIRECT TAXES. Big rise in Customs and Excise duties on alcohol, tobacco and petrol certain—in some cases probably exceeding inflation rate.

● INDUSTRY. Relief on bulk electricity tariffs and possibly some concession on heavy fuel oil duty. Changes in stock relief scheme.

● SMALL BUSINESS. Loan guarantee scheme and investment incentives, particularly for launching businesses. Also further moves to cut capital taxes.

● SOCIAL SECURITY. Increase in child benefit and uprating of pensions and other payments from next November, probably by about 10 per cent.

● NORTH SEA. Details of new tax and changes to Petroleum Revenue Tax to boost yield.

● BANKS. Discussions have focused on windfall profits tax or increased bank share of export credit refinance, reducing Exchequer costs.

● NATIONAL SAVINGS. Major new initiative to meet £3bn target for 1981-82, including probable lowering of qualifying age on inflation-proofed granny bonds from 60 to 55 or 50.

The speech will none the less marks a significant shift in the balance of the strategy. The combination of a strong pound and a massive overshoot in the rate of growth of sterling M3, the broadly-defined money supply, has forced a review of monetary policy.

The result is likely to be that sterling M3 will remain the main medium-term objective but that an element of conditionality will be introduced. Other monetary indicators, including possibly the exchange rate, will be taken into account in the short term.

Sir Geoffrey is also expected to give an indication of progress on the review of monetary control techniques.

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W. Germany faces higher arms bill

BY JONATHAN CARR IN BONN

WEST GERMANY will have to meet a far higher defence bill in the next few years than previously estimated, despite new savings measures and cuts in plans for the procuration of some weapons.

That is the key message to emerge from a meeting between Herr Hans Apel, the Defence Minister, and military experts—the results of which affect the whole Western alliance as well as the Bundeswehr.

Herr Apel told a Press conference at the weekend that the good news from the three days of intensive discussion was that West Germany's major existing weapons programme remained unchanged.

This means that procurement will go ahead of 1,800 Leopard-2 tanks, 322 Tornado Multi Role Combat Aircraft (MRCA) and six frigates. It had been feared that any or all of these might be cut, not least because of sharply rising costs of the MRCA which have already created serious political problems for Herr Apel.

On the other hand, longer-range plans have been dropped for development of a tactical fight plane with France and Britain—the TKF—to replace the ageing Phantoms in the 1990s and for a joint Franco-German battle tank.

The tank project, however, was particularly dear to politica' leaders in both countries as a symbol of intensifying Franco-German relations; but Bonn defence and budget committees have criticised the scheme as militarily unnecessary and financially wasteful. It is hoped that France and Germany will be able to co-operate on a further version of the Leopard.

Herr Apel also revealed that Bonn's defence spending between 1982 and 1984 (inclusive) would have to be DM 1bn higher than originally estimated. In principle an additional DM 2.3bn was needed, but this could be cut by DM 1.3bn, notably through savings on fuel, ammunition and infrastructure costs, Herr Apel said.

It is not clear how this extra DM1bn is going to be found—although the finance minister, Herr Hans Matthoefer, stressed this weekend that extra defence spending must not be met through tax increases. Alternatives include a shuffling of priorities in the federal budget and increased Government borrowing.

Further, the additional DM1bn must be seen as an absolute minimum since neither the 1981 budget nor Bonn's medium-term finance planning so far includes provision for expected extra costs for U.S. forces and military supplies in Germany.

Labour 'would lift London rates'

BY MARGARET VAN HATTEM

LABOUR will increase rates if it gains control of the Greater London Council, but Londoners will not mind, Mr. Ron Hayward, general secretary of the Labour Party, said at the weekend.

"Increased rates under Labour will mean better services," he told the Greater London Labour Party conference. "Convince Londoners that we mean what we say, and will do what we promise — and they won't object to paying a few bob extra."

Looking forward to the May 7 county council elections, Mr. Hayward said Labour must win the capital, and win it well, since "what happens in London on that date will be the best indicator of what is to come in the nation as a whole in 1984.

"The only thing that can defeat us is ourselves. With unity, we will win London this year and the nation soon."

Mr. Hayward urged Labour members not to shy away from talking about the rate increases — London needed to spend more money on itself to make life worth living. Labour would cut London Transport fares by 25 per cent — which would add an average 45p a week to the rates — and freeze them at that level for four years.

An extra 4p on the average rate would raise £80m a year for housing.

Labour planned to raise another £100m for creating new jobs — "a quarter of a million Londoners are now unemployed," he said. "The only answer is for the GLC to provide the land, the buildings and the money to create new jobs and bring life back to London's industrial wastelands."

At the same conference, Mr. Michael Foot, the party leader, attacked the Government's economic policies. "If they are permitted to continue as they say they are going to, the ravages to be inflicted on our country hardly bear reckoning at all."

At the party's Yorkshire regional conference in Bridlington, Mr. Denis Healey, the deputy leader, was heckled and booed when he denounced militant Left-wing groups as "a recipe for electoral disaster."

Under the most unpopular government in British history—with even the CBI in revolt—Labour's lead in the opinion polls was still in single figures because of Left-wing cliques which were trying to drag the party away from representative democracy, he said.

Foreign currency holdings soar

BY DAVID MARSH

British investors have embarked on a foreign currency bonanza in the last few months, switching large sums out of sterling to take advantage of higher rates of interest on dollar deposits in UK banks.

The move out of sterling—both by large UK corporate treasurers and small depositors at High Street branches—has been the largest since exchange controls were abolished nearly 18 months ago.

The flood of sterling withdrawals could intensify if, as expected, Minimum Lending Rate is cut in the Budget tomorrow.

The transactions have not only added to recent downward pressure on the pound on foreign exchange markets. The shifts to currency accounts have also further diminished the significance of the Government's main indicator of the money supply, sterling M3, which includes only sterling not foreign currency deposits.

Sterling M3 was depressed in January by a large rise in UK residents' holdings of foreign currencies. Increases in currency deposits may also affect the February sterling M3 figure, due to be announced in preliminary form by the Bank of England on Budget day.

Since the removal of exchange controls, UK residents have enjoyed complete freedom to buy, sell and hold foreign currencies both in Britain and in financial centres around the world.

During 1980 British investors—especially the big insurance companies and pension funds—sharply increased their purchases of foreign currency securities. But because of high sterling interest rates and the rising value of the pound, depositors took only scant advantage of their ability to move into foreign currency bank accounts.

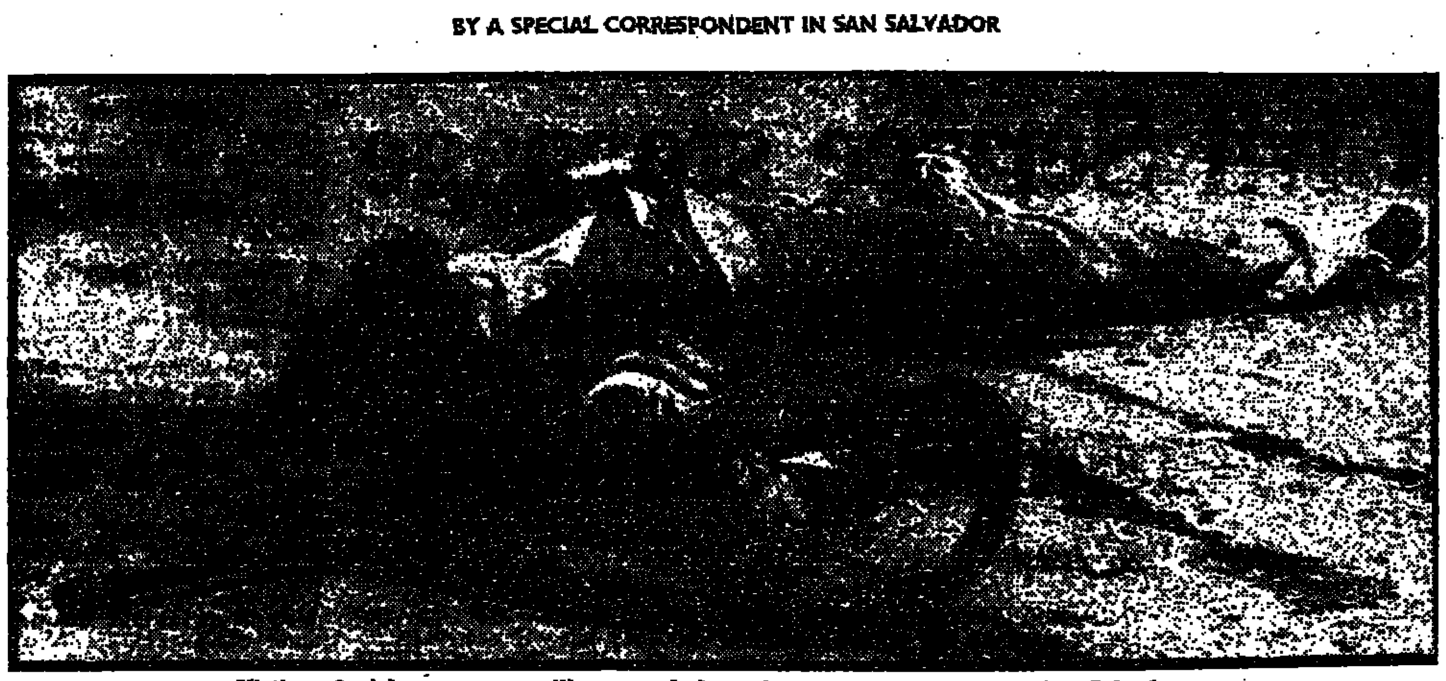
Over the past few months this has changed. The pound has fallen more than 10 per cent against the dollar since mid-January as the interest rate gap between U.S. and sterling deposits has widened. Interest rates for the normally low-yielding continental currencies, like the D Mark and Swiss franc, have also risen sharply.

Bank of England figures show UK residents increased their foreign currency deposits with British banks by £708m in the banking month of January, after making allowance for valuation changes. This was more than the whole of the increase in the previous 12 months put together.

OVERSEAS NEWS

El Salvador's list of atrocities grows despite lull in fighting

BY A SPECIAL CORRESPONDENT IN SAN SALVADOR



Victim of violence: a guerrilla gunned down by government troops in San Salvador

FOR THE first time in two months there is a lull in the fighting between El Salvador Government troops and left-wing guerrillas. But in no sense has the killing ended. Most of the 30 or so daily deaths occur away from the combat.

Seven school teachers were taken out last week and shot near their homes 10 miles from the capital, San Salvador; three corpses were dumped in San Salvador's main cemetery with their hands cut off; another dreadfully mutilated headless body was left in an underpass near the city centre. The catalogue of atrocities is endless. Almost invariably the victims are suspected subversives killed by right-wing death squads.

Of the 13,000 people killed in El Salvador in the past year, more than half were living in rural areas. The peasants have an uncanny awareness about when fighting is likely to affect their homes and tend to move out beforehand. But what the death squads will do is impossible to predict.

It is the day-to-day insecurity created by these killings—far more than the armed struggle—which is swelling the numbers of Salvadorean refugees inside and outside the country. And while President Ronald Reagan's Administration has put the emphasis on winning the war against the left, the central problem which makes life here so precarious has been almost forgotten.

More than 150,000 Salvadorean refugees are now sheltering in neighbouring countries. Within El Salvador are an estimated 100,000 displaced people, 15,000 of them living in churches and schools according to the Catholic Archbishop in San Salvador. The rest in sprawling makeshift camps in remote areas.

When the guerrillas staged their so-called "final offensive" on January 11, both the outgoing Carter Administration and the incoming Reagan advisers committed the United States to resuming military aid to the El Salvador junta. Concern over human rights and the suspected military involvement in the death of four American nuns had previously persuaded President Jimmy Carter to suspend all arms shipments.

In the event, the "final offensive" was hopelessly ambitious and misjudged. The guerrillas had called for a mass uprising in their favour. None came. They were able to seize control of only a few small towns and patches of country where their support was already strong.

Their incompetence was well illustrated in the capital itself. The guerrillas managed to get a Chinese-made rocket launcher into position outside the main gates of the military air base. No only did they miss the airport control tower — a hundred yards away — but all five rockets they tried to fire missed the airport altogether.

The guerrillas seem to have over-estimated their strength as badly as Washington. As the Reagan Administration sidestepped the human rights issue, saying it would be discussed privately, the Pentagon set about re-supplying the junta.

On January 22 a 10-day airlift started, carrying $10m worth of helicopters, artillery pieces, infantry weapons and ammunition. Even before the operation had finished, the Salvador army had taken the sting out of the guerrilla offensive. Yet Pentagon officials and U.S. military advisers in El Salvador had already gone on record as saying that the Salvador army had neither the weapons nor the expertise to defeat the guerrillas.

The senior U.S. military man now in the country, Colonel Eldon Cummings, set about preparing a series of alternative military packages for the Reagan Administration to consider. What appears to have been decided on is a deal which would include attaching perhaps 60 military advisers and training personnel to the Salvador armed forces, 150 civilian technicians to provide maintenance back up and, naturally, the military equipment itself. U.S. military experts in El Salvador suggest the package would include some 25 more helicopters, half a dozen motor patrol boats, weapons and ammunition for a bigger army and, most specifically, training and equipment for a 2,000-man "quick reaction unit."

For a country the size of Wales, with no great economic value, it is a fair-sized commitment. Washington justified itself by highlighting the Cuban and Soviet links with the guerrillas.

The case against the Communists has rested mainly on documents captured from "safe houses" and from evidence extracted from a Costa Rican pilot shot down while bringing in arms for the guerrillas.

On the ground, however, Cuban and Soviet aid has been far harder to pinpoint. The only real skill the guerrillas appear to demonstrate is their ability to bomb economic targets. Examination of two main road bridges blown up within the past two weeks reveals that the charges were placed in exactly the right spot to produce maximum effect. Nightly, power supplies to towns across the country are disrupted by similar attacks. The capture of Cuban-published instruction manuals for bomb-makers has provided evidence of Cuban training for a handful of bombers.

But the guerrillas' weakness in the field, in both equipment and organisation, points to a wide gulf between the allegations from Washington and what is really happening in El Salvador.

Last week the army completed its counter-offensive, securing most of the towns and territory it lost during the "final offensive." In three different sectors the picture has been the same. In the foothills in the north, the army deployed the newly supplied U.S. artillery, using helicopters to co-ordinate the bombardment of guerrilla positions. Against such odds the guerrillas offered no resistance and retreated further into the hills.

In the central sector, 300 well-organised troops stormed a town which had been patrolled by some 50 guerrillas. Although the army claimed to have killed all 50, there was only one body. Again the guerrillas appeared to have melted away. In the east, on Conchagua volcano, a strategic point with line of sight to Nicaragua 30 miles across the sea, the guerrillas had dug a sophisticated network of tunnels and foxholes into the upper slopes. Seven hundred troops with air support swarmed across the volcano, only to find that almost all the guerrillas had got away.

After each of these fights, the Salvadoreans displayed the captured weapons. The haul from Conchagua was typical: two dozen First World War rifles, two 19th-century Mausers, three Russian hand grenades; and one automatic rifle of the type used by the Atlantic Alliance.

The U.S. has alleged that the Communist states have supplied the guerrillas with hundreds of tons of Western weaponry. U.S. Intelligence suggests that American weapons seized from Ethiopian and Vietnamese arsenals have been shipped to El Salvador. But the guerrillas' failure against the army's counter-offensive and the lack of captured weapons confirms the impression that arms supplies on that scale never reached the guerrilla's front line.

Although the guerrillas' military effort has failed so far, their numbers, at around 10,000, remain relatively undented. The U.S. reports that they are already being resupplied. But the conflict still remains a small war in a small country.

While attention is fixed so strongly on the military struggle, there is no evidence of any great movement towards resolving the economic problems which fuel some of the left, particularly in the countryside.

The present junta has been whittled down by assassination and resignation from the once-liberal military civilian coalition it was when it came to power in 1979 after the overthrow of the former President Carlos Humberto Romero. Among those murdered was Sr. Enrique Alvarez Cordova, the Agriculture Minister. As the architect of the plans for agrarian reform he established several successful co-operatives; 3,000-acre estates handed over to the peasants. But without him, agrarian reform is slowing and the attempt to divest the left of its most popular grievance is failing.

Caught between two extremes, the right who support the old order, and the left who support the revolution, the U.S. Administration has opted to support the junta despite its inability to stop atrocities committed by both right and left.

Washington appears to have taken the decision that El Salvador must remain within the American sphere of influence, at almost any cost. El Salvador's civilian President, Sr. Napoleon Duarte, has described his country as having three qualities: too many people (there are 5m), a lot of coffee, and proximity to the U.S. It is the last of these which interests Washington. After the victory of the left in neighbouring Nicaragua, President Ronald Reagan has determined that everything should be done to stop another Central American nation going the same way.

President Reagan has one problem. He has to make El Salvador fit into his global strategy. But El Salvador is in such a state of anarchy and confusion that the action he will have to take may be more violent than even he would want.

Khalkhali call for Bani-Sadr trial

Mr. Bani-Sadr . . . under attack

BY OUR FOREIGN STAFF

AYATOLLAH Sadeq Khalkhali, the former head of Iran's revolutionary tribunals, yesterday demanded that President Abolhassan Bani-Sadr be put on trial for his part in a rally on Thursday at which hundreds of revolutionary guards were assaulted by the crowds.

The Ayatollah's political importance does not match his notoriety as Iran's hanging judge, but his attack reflects a deterioration in relations between Iran's clerical factions and the supporters of President Bani-Sadr.

The fighting at last Thursday's rally has developed into an important divisive issue. Islamic fundamentalists held protest marches on Friday demanding the release of the revolutionaries arrested at the rally.

Ayatollah Khomeini on Saturday ordered the country's judiciary to investigate the violence, and the Islamic Republican Party yesterday attempted to close down Tehran's bazaar for the day.

The present crisis between the clerical and moderate factions has now become more important for the moment than the future of peace initiatives to end the Gulf War.

Meanwhile fighting is reported to be continuing in Lahijan, to the north of Tehran, where forces of the radical Mujahedeen-e-Khalq are trying to wrest control of the city from Islamic fundamentalists.

Mr. Hojatoleslam Rafsanjani, a founder member of the IRP and the Speaker of Iran's Parliament, yesterday warned that the Mujahedeen had occupied the Lahijan Governor's office.

A spokesman for the Lahijan Governor's office denied the takeover.

80 Guardia Civil men released

By Robert Graham in Madrid

MORE THAN half of the 150 members of the Guardia Civil who took part in the seizure of the Spanish Parliament on February 23 have been released, according to reports from a national news agency. Some have already resumed their normal duties.

Since the abortive coup, the 150-odd members of the Guardia have been detained at a barracks outside Madrid. None of those released are understood to be officers.

One of the surrender conditions made by the Guardia Liet-Col. Antonio Tejero, who led the seizure of Parliament, was that he should bear full responsibility for the action and that none of the ranks be punished.

The Guardia members were last week questioned by a military judge and it now seems that the authorities have decided to release those "innocently" involved in the attempted coup.

Col. Tejero is reported to have gone on the afternoon of February 23 to a Guardia Civil barracks in Madrid, housing men who usually dealt with traffic policing, and asked: "Who is willing to fight for Spain?"

All those present were said to have volunteered, in the belief that they would be carrying out some action against militant Basque separatists. On the basis of this involvement, some 80 of the 150 involved in the seizure of Parliament have been released without charge.

Their release suggests however that the military prosecution may adopt a softer line against the officers involved in the abortive coup.

Brezhnev again asks Schmidt for nuclear missile moratorium

BY JONATHAN CARR IN BONN

CHANCELLOR Helmut Schmidt of West Germany has received a message from Mr. Leonid Brezhnev, the Soviet President, which is believed to reiterate Moscow's proposal for a moratorium on deployment of intermediate - range nuclear missiles in both East and West.

The Bonn Government has made clear that it feels Mr. Brezhnev's proposal, made at the Soviet Party Congress last month, is unacceptable, since it would effectively freeze Soviet superiority in the intermediate-range field.

Herr Schmidt repeated this reservation yesterday without referring specifically to the new Brezhnev message. He also regretted that the Soviet leader had not repeated the offer made last October to withdraw Soviet Euro-strategic missiles behind the Urals as a goodwill gesture.

However, Herr Schmidt also made clear that he strongly supported a summit meeting between President Ronald Reagan and Mr. Brezhnev, which the Soviet leader proposed recently. He said he believed fears were groundless that the U.S. would strive to obtain military superiority.

Herr Schmidt made plain that he felt that Mr. Reagan was firmly dedicated to negotiation with Moscow.

David Satter adds from Moscow: The Soviet Communist Party newspaper Pravda yesterday quoted Vladimir Lenin as saying that trade unions in a communist state must be subordinated to the Communist Party in a further indication that the Soviet Union does not accept Poland's independent trade unions.

Pravda said that Lenin believed that the Communist Party must be the leading force in Soviet society.

Bonn opposition in leadership poll

BY ROGER BOYES IN MANNHEIM

WEST GERMANY'S Christian Democrat (CDU) opposition today opens its first party congress since its crushing defeat at the general election in October.

The aim is to vote in a new leadership—or to reinstate the old line-up—and put together a winning policy formula before crucial state elections are held in West Berlin in May.

Given that only about five months ago the CDU recorded its worse election result, the party is remarkably confident and believes that it can woo the Free Democrats (FDP) away from its coalition with the ruling Social Democratic Party (SDP).

There are three main reasons for this buoyancy.

First, the party appears to have exorcised the influence of Herr Franz Josef Strauss, leader of the Christian Social Union, the CDU's Bavarian affiliate. The election defeat is firmly but discreetly blamed on Herr Strauss, whose leverage in the party has been curbed.

Second, Chancellor Helmut Schmidt is having trouble from the left-wing of his SPD, and the Christian Democrats have had to do little more than bide their time. The Bonn Government's setbacks since October have come from its dissenting ranks, for example the refusal of the Hamburg SPD to accept the Brokdorf nuclear plant.

Finally, the victory of President Ronald Reagan has made it easier for the CDU to appear as Germany's most loyal supporter of the NATO alliance and the U.S.

There seems little doubt that Herr Kohl will be re-elected as party chairman though the vexed question of who should be the official challenger to Chancellor Schmidt in the 1984 election is deliberately being shelved.

Two new members are expected to be voted on to the party's executive board—Herr Lothar Spaeth, prime minister of Baden-Wuerttemberg, and Herr Norbert Blum, leader of one of the liberal factions in the CDU.

Walker optimism on fish talks

By Robert Mauthner in Paris

MR. PETER WALKER, the British Agriculture and Fisheries Minister, expressed optimism yesterday about the prospects for an agreement on a common EEC fisheries policy in an interview with the Paris newspaper Le Monde at the weekend.

Mr. Walker said that he was certain the UK and France could achieve "a perfect understanding"

Palestinians try out new weapon

BY DAVID LENNON IN TEL AVIV

IF YOU cannot go through it or around it, then go over it, appears to be the new philosophy of Palestinian guerrillas frustrated in their attempts to penetrate Israel by land and from the sea. This weekend, they sprung a new weapon on Israel—the motorised hang glider.

And it worked. Taking off from a level stretch of land in southern Lebanon on Friday night, one of these sporting machines skimmed over the heads of the soldiers and electronic fences guarding the Israeli border, but below the radar screen. It came to earth close to *Haifa, 30 kilometres inside* Israel.

The amazement of the Israelis at this imaginative new approach turned to ridicule when it was learned that the daring young guerrilla on the flying machine was captured by the police later, fast asleep in a house where he had tried to take hostages.

A second hang glider met with even less success. It landed in the border strip of southern Lebanon controlled by the Israeli-backed militia of Major Saad Haddad, who captured the guerrilla and handed him over to the Israelis.

General Rafael Eitan, the Israeli Chief of Staff who flies small planes for relaxation, said that while there may be more such attempts, he did not treat it seriously. "It's simply a method of jumping the fence." He pointed out that the range and the amount of equipment which could be carried by such craft is extremely limited.

Other military men recalled the attempt last summer by four Palestinian guerrillas to infiltrate Israel in a hot-air balloon, which caught fire and crash-landed in southern Lebanon, killing its occupants.

Anxious Athenians desert earthquake city

BY VICTOR WALKER IN ATHENS

THE CONFIDENCE of the people of Athens was further shaken at the weekend by two earthquakes, registering 5.7 and 5.2 on the Richter scale, within half an hour of each other on Saturday.

Athens has now been vibrating for 12 days, ever since the February 24 earthquake which registered 6.6 on the Richter scale and caused the greatest panic flight in the city's history. Up to 2.5m of the population of 3.5m were thought to have left over the weekend, about 1.5m more than would be expected on a holiday weekend.

The quake centred in the Corinth - Lutraki - Megara triangle, but after-shocks cracked hundreds of walls in houses, apartments and hotels in the capital.

But the real damage has not so much been structural as psychological. The tremor on Wednesday measuring 6.2 on the Richter scale came in stark contrast to official assurances that there was nothing more to expect but gradually diminishing after-shocks.

The virtual breakdown of the public services dates from that and from two more jolts, measuring 5.2 and 5.8, on Thursday morning. People fled from their offices in Ministries, utilities and service industries, as well as private companies, and even some banks closed down.

Mr. George Rallis, the Prime Minister, got them back on Friday with a warning that any civil servant missing without justification would be disciplined.

Athenians have now learned to live in their cars, distrusting the safety of their homes. Tent suburbs have appeared in parks and on hillsides, and owners of tourist coaches have found a novel pre-season source of income by renting seats overnight at up to £1 a head.

There is speculation that the shocks of Wednesday and Thursday represented a new earthquake, with an epicentre several kilometres closer to Athens, and that Saturday's shocks could have been a third, or the prelude to "the big one."

For those who have stayed in Athens, the unkindest cut of all is that there will probably be no "lagana" today. The bakers have said they won't bake the special "Clean Monday" bread because of a price dispute with the Government. Rumour, however, insists that even the bakers have fled.

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UK businessmen in new sales drive to French Africa

BY MARK WEBSTER IN LAGOS

A FIVE-MAN team of senior British industrialists is visiting the West African state of Ivory Coast this week in an effort to secure a greater share of the lucrative Francophone market.

Lord Trefgarne, Parliamentary Under-secretary of State for Trade, is leading the group which will stay in the country until March 13.

The Department of Trade said the visit was "part of a concerted effort by British industry to secure business in French-speaking Africa." The Ivory Coast is Britain's largest market in the Francophone area but exports in 1980 were only £28m.

During the visit, the group will meet government ministers and visit industrial and agricultural projects both on the coast and in the interior.

Included in the party is Mr. Peter Bates, deputy chairman of Plessey Electronic Systems. Plessey Radar has already won contracts in Ivory Coast for work on the international airport at Abidjan.

Although Ivory Coast has been through a severe recession since the 1977 fall in commodity prices, the prospect of the country becoming a major oil exporter in the coming decade has made it an attractive market.

Lord Carrington, the Foreign Secretary, made a brief visit to Ivory Coast after a trip to Nigeria last month. Nigeria remains by far Britain's biggest market in West Africa, and the Birmingham Chamber of Commerce is leading a group of 20 companies to the country March 8-21.

It will be the eigth mission organised by the Chamber.

Border congestion hits cargoes bound for Iran

BY PATRICK COCKBURN

CONGESTION at the southern Iranian port of Bandar Abbas and at rail crossing on the Soviet border is continuing to impede the flow of Iranian imports.

Bandar Abbas, at the southern end of the Gulf opposite Dubai, is the main gateway for goods entering Iran, but at the end of last month waiting time was 45 days and there is now a queue of 30-35 vessels waiting to discharge their cargo. Last year Bandar Abbas was used for much of the 7.6m tons of goods imported in the last nine months of the year.

Cargo is now being allowed to move through Bandar Abbas to Tehran with a minimum of bureaucratic inteference, but lack of sufficient trucks poses a problem. Demurrage is being charged at a rate of 55 rials per day per ton, but ships belonging to the Iran Islamic Line and the Irano-Hind company have a special berth available.

Closer to the battlefront at the northern end of the Gulf a few ships have been slipping into Bandar Khomeini, but fear of bombing impedes any regular services.

The overland routes to Iran have faced continuing problems. The Bazargan route through Turkey is the easiest and the offloading time is now two to five days, but the rail route from Turkey is being hit by congestion at the Tehran customs.

The situation at the Julfa rail crossing with the Soviet Union has deteriorated markedly over the last six months. There are believed to be some 500,000 tons of goods in Russian ports waiting to be sent to Julfa, but the crossing point can only clear about 260 wagons a day.

World Economic Indicators

INDUSTRIAL PRODUCTION

					Change over previous year %	Index base year
	Jan. '81	Dec. '80	Nov. '80	Jan. '80		
U.S.	151.8	150.9	149.2	152.7	−0.6	1967=100
	Dec. '80	Nov. '80	Oct. '80	Dec. '79		
UK	101.8	102.6	102.9	114.8	−11.3	1975=100
W. Germany	114.2	118.3	116.6	124.8	−8.5	1975=100
Japan	143.0	140.8	142.9	138.5	+3.2	1975=100
Holland	109.0	113.0	112.0	113.0	−3.5	1975=100
	Nov. '80	Oct. '80	Sept. '80	Nov. '79		
France	113.8	115.7	113.2	118.0	−3.6	1975=100
Italy	129.1	125.4	125.7	127.7	+1.1	1975=100
Belgium	116.0	113.7	111.4	115.5	+0.4	1975=100

Source (UK, Germany, France, Italy, Belgium): Eurostata

EXPORTERS AT WORK

The distance between rivets must be right

BY LORNE BARLING

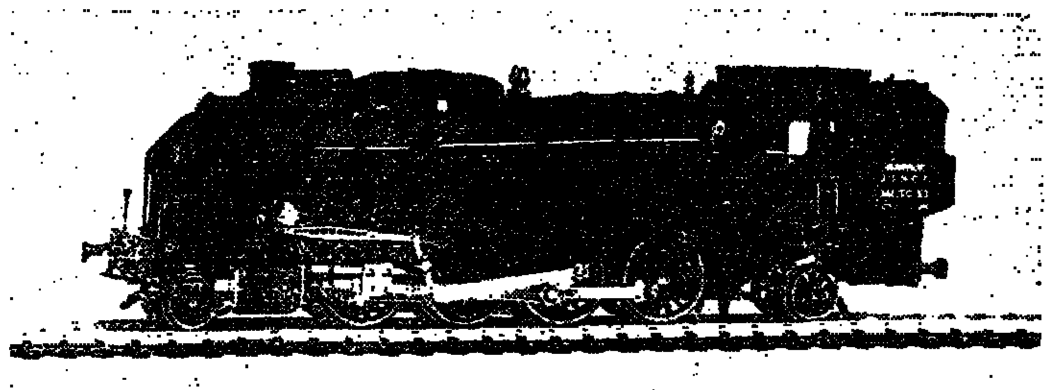
A SMALL BANBURY company has discovered to its delight that the British are not the only people to have a high proportion of model train fanatics among the population. This kind of nostalgia is, it seems, a world-wide phenomenon.

N & KC Keyser, a family company with a high reputation in modelling circles, has recently established itself as Europe's top supplier of historical model train kits, having entered the market only three years ago.

Its success, according to Mr. Melvyn Keyser, the joint managing director, is based partly on the simple formula of finding an enthusiastic distributor and allowing him to decide which French, Spanish or German "prototype" model is right for their market, then manufacture it.

He believes that increasing demand for models in kit form reflects the desire of enthusiasts to spend more time themselves in assembling intricate parts, taking 40 hours or more to do so, rather than buying use of the completed locomotive.

Although the completed scale-models run on 12-volt motors, they are aimed at a market quite distinct from that of assembled model trains and childrens' toys, and one which appears to be growing rapidly.



The French 141 TC tank locomotive is one of the kit models produced by N. & K. C. Keyser of the UK

"We work from original drawings and make absolutely sure that the distance between rivets is right, otherwise we get complaints," says Mr. Keyser.

The company recently concluded a deal with Jouef, the major French model railway manufacturer, to supply a range of models, the first being the Buddicom locomotive designed by an English engineer in 1844, and which ran between Paris and Rouen.

The kits are made up of dozens of components which include white metal castings, etched brass plates and plastics, ranging in price from around £13 to nearly £40 for the more complicated types. Part of Keyser's marketing strategy was the introduction of shrink wrapping, so that each part could be seen and checked.

Having captured a valuable UK market by the late 1970s, with its service described in Model Railways magazine as "Never less than excellent, it rises at times to the miraculous," Keyser set out to enter the European arena.

With hindsight this proved a wise move, since demand in Britain virtually collapsed last year as retailers were forced to destock, particularly on higher-priced products such as these models. During this financial year the company will produce around 18,000 kits compared with 24,000 in 1979/80.

The company's first overseas breakthrough came in Spain—thought to be an unlikely market—largely through an enthusiastic distributor who conducted a survey of model clubs to discover which historic Spanish trains they would most like to build in model form. Despite a 58 per cent Spanish tariff, sales have soared.

This illustrated the importance of providing what the buyers wanted, and a similar pattern followed throughout Europe as a sales drive was mounted. Although some UK OO-gauge models were exported, Keyser subsequently offered the Europan HO gauge.

Distributors were asked to research their national markets and if they could place an order of more than 400 of a particular model, Keyser agreed to make it, usually from original plans provided from national archives. The company retained the right to sell it in all other countries.

The company's latest success has been at the recent Nuremburg Toy Fair, where a substantial amount of new orders were placed, particularly by German distributors, despite a 10 per cent increase in price.

At present there is virtually no competition for Keyser, since a higher-priced German manufacturer recently went out of business, but the company does not expect its clear run to last much longer.

However, it is confident that its highly automated factory, in which it employs only 13 people, will remain competitive. Mervyn Keyser points out that much of the equipment is purpose built, and the company has a strong position in the market with its model range.

Recent automation has reduced the work force from 22 and increased output by around 300 per cent, with additional capacity available to meet a rise in demand.

Although Keyser is now consolidating its position, prospects for exports to South America, Japan and the U.S. are regarded as good, but a great deal depends on achieving the right form of distribution.

EEC poised to act on Japanese compressors

By Giles Merritt in Brussels

MATSUSHITA ELECTRIC and Sanyo, two of Japan's leading industrial groups, are waiting to hear whether massive anti-dumping duties of up to 40 per cent are to be slapped on one of their fastest-growing export lines to the EEC.

The products concerned in this latest European anti-dumping move are compressor motors and associated equipment for refrigerators. Since 1977 the two Japanese giants are alleged to have boosted their share of the EEC market for refrigerator compressors from almost nothing to 10-15 per cent.

According to the complaint lodged with the European Commission by CECOMAF, the Paris-based federation grouping EEC compressor manufacturers, the dumping margins involved have ranged from 10 to 40 per cent. The Commission's anti-dumping probe has also concerned producers in Singapore, Brazil, Hungary and Spain.

Compressor sales to the EEC from these producers was last year calculated at up to $35m. Following the 1979 decision by Presteold in the UK to cease production of compressors there are now only four sizeable manufacturers left in the Community.

The EEC industry is also claiming that the injury it is suffering from compressor dumping is accentuated by the inroads being made into the refrigerator market by cheap imports from Comecon countries.

The seriousness of the situation for the EEC industry appears to have been underlined by the unusual speed with which the Commission has completed its investigation into the alleged dumping.

SHIPPING REPORT

World's largest tanker chartered for maiden voyage

BY OUR SHIPPING CORRESPONDENT

THE MOST interesting feature in the world tanker markets over the week has been the chartering of the world's largest tanker, the Seawise Giant, for its maiden voyage. It has been waiting for a cargo for two months and in the event will have to sail only two-thirds full.

The 564,763 dwt ship (Seawise is a play on the owner's initials—Hong Kong's C. Y. Tung) has been fixed for its first voyage from the Iranian oil terminal of Kharg Island to the Japanese port of Kiire.

The ship was fixed at the reported rate of Worldscale 34 which looks surprisingly generous at first glance. However, after adjusting for the fact that the ship was only partly full and the owner had to pay the extra insurance necessary for visiting Kharg Island, then the effective rate drops to Worldscale 18. There is considerable uncertainty about whether the ship will ever make any money.

It has an interesting pedigree. It was built as a 422,000 dwt tanker for a Greek shipowner but the latter refused to accept delivery in 1977 because of the depressed state of the market. After various court cases the original owner pulled out of the deal and the vessel was sold to the C. Y. Tung group.

Last July it was sent to Nippon Kokan's Tsu shipyard in Japan, where it was cut in half and lengthened. It was re-delivered to Universal Petroleum Carriers, part of the Tung Group, in mid-December.

Boeing fears loss of sales

WASHINGTON — The Boeing Company said planned cuts in Government export subsidies would hurt the U.S. aircraft industry and help West European aircraft makers.
Reuter

John Worrall writes from Nairobi: Kenya Airways is to buy its first widebodied aircraft, but it still needs the approval of the Kenya Government to spend some K£100m. Kenya Airways is making up its mind over the aircraft it intends to buy, the choice lying between Boeing 747s, Lockheed Tri-Stars and McDonnel Douglas DC-10s.

ICI presses for State aid in switch back to coal

BY SUE CAMERON, CHEMICALS CORRESPONDENT

IMPERIAL Chemical Industries is pressing the Government to give manufacturers grants, tax allowances or low-interest loans so that they can switch from oil back to coal.

The company, Britain's biggest manufacturer, is understood to have told energy Ministers that it is interested in using coal instead of oil to power some of its plants in Cheshire and on Teesside. But Mr. Bill Duncan, one of ICI's deputy chairmen, said on Friday that the capital cost of converting equipment was inhibiting moves in this direction by industry.

"With coal surpluses accumulating and industry in its present difficulties in the UK, it would surely be reasonable in the short and long term for the Government to give encouragement to such a changeover through grants or tax allowances or low-interest loans," he said.

Last week the National Economic Development Council's report on comparative energy prices pointed out that some countries were already beginning to help manufacturers with the capital cost of converting equipment to coal. In France, for example, a 25 per cent grant was available.

"On present payback periods—generally about three years—and in the current financial climate this can make the difference between investment proceeding and being postponed," the report said.

ICI, which is known to be deeply concerned about the size of its UK energy bills, would need to buy an extra 1m tonnes a year of coal if it converted some of its major petrochemicals and general chemicals plants.

The company, which has just reported a 54 per cent drop in pre-tax profits between 1979 and 1980, has already lent its weight to demands that the Government should bring British industrial energy prices in line with the lower ones prevailing on the Continent for large users.

Mr. Duncan, speaking in Dublin to a meeting of the Society of Chemical Industry of which he is president, believes coal will increasingly be used instead of oil, not just for energy purposes but to provide the raw materials needed to make petrochemicals.

ICI currently uses some 3m to 3.5m tonnes a year of naphtha, which is made from oil, as a petrochemical feedstock. The company evidently believes that new technology will make it possible to replace much of this with coal at the beginning of the next century.

Mr. Duncan said oil prices could not continue to rise indefinitely. The mechanism for "moderating and eventually curtailing this rise must be the large scale emergence of alternatives to oil." But he warned that the increasing use of coal was "unlikely to have much impact on oil prices before the turn of the century."

He estimated that oil prices would "overshoot" because of the "initial delay in introducing coal conversion." But the increased use of coal would then push them back to about $40 to $50 a barrel in terms of 1980 prices.

British industry would have difficulty in competing if it were based on expensive home coal while the rest of Europe relied on cheap imports from Australia, South Africa and the U.S.

One way round this would be to "decide the amount of British and German coal to be mined for strategic reasons, import the rest and charge an average price for all coal."

This would remove internal opposition to coal imports and ensure that Europe retained a healthy coal industry.

The European Council of Chemical Manufacturers' Federations predicts in its latest statistics on energy that coal will not contribute substantially to the supply of raw materials for making petrochemicals until the 1990s.

The council forecasts that the UK chemical industry's consumption of fuel for use as feedstock will rise from 15.068m tonnes of coal equivalent in 1979 to 17.1m tonnes in 1984 and to 18.81m tonnes in 1989.

Total consumption for the European Economic Community's chemical industry is predicted to rise from 182.8m tonnes of coal equivalent to 201.9m tonnes assuming low economic growth scenario or 215.3m tonnes with higher growth.

Chairman plans to leave Bowring

By John Moore

MR. JOHN SHIPTON, chairman of C. T. Bowring, the insurance broker taken over by Marsh and McLennan, is leaving the group to pursue his other business interests. An announcement is expected today.

His departure reflects continuing upheaval in the UK insurance broking scene following mergers and realignments in the relationships of UK insurance brokers with their U.S. counterparts.

Several key staff at C. T. Bowring have left the group to start their own operations or join other companies.

Training Board warning

A PLEA against abolishing the Construction Industry Training Board was made in Kirkaldy, Scotland at the weekend by Mr. Leslie Kemp, its chairman. He warned that new alternative schemes for unemployed school leavers might "cosset" them and lead to money being "poured down the drain."

Government support falls in Scotland

SUPPORT FOR the Government has fallen to a low level in Scotland, with 76 per cent of voters expressing dissatisfaction with its performance and 71 per cent with the performance of Mrs. Thatcher.

Market and Opinion Research International, testing opinion for the Scotsman newspaper, says that support for the Conservative Party was 20 per cent, compared with 44 per cent for Labour, and 16 per cent for the Scottish National Party.

Miners back Yorks companies

THE Mineworkers Pensions Fund, with assets of about £630m, is to put up more money for new workshops and factories in Yorkshire. The fund is currently investing in small factory units — called nursery workshops — in Barnsley, and has provided finance for businesses in other parts of the county.

Extra £2m for health service research

BY DAVID FISHLOCK, SCIENCE EDITOR

AN EXTRA £2m a year is to be spent on health services research by the Medical Research Council in the next five years.

The announcement comes in a letter in the Lancet from Dr. A. J. Buller, chief scientist to the Department of Health, and Dr. J. L. Gowans, secretary of the council.

The council will regain full control on April 1 of the portion of its science budget which the Government transferred to the control of the Department of Health and Social in 1972.

The extra money will be used both in the council's own research units and for university grants.

The council has undertaken to increase its research in such areas as medical sociology, social psychiatry, epidemiology and medical care.

Under the new financial arrangements, funds of £13.9m (1980 prices) are being returned to the DHSS to the control of the council for 1981-82.

Doctors and medical research workers fiercely opposed Lord Rothschild's proposal to give the DHSS more say in Britain's medical research programme.

Unused drugs 'waste £100m a year'

BY SUE CAMERON, CHEMICALS CORRESPONDENT

A CRACKDOWN on the waste of medicines could cut Britain's drugs bill by up to £100m a year, Dr. Gerard Vaughan, the Minister for Health, said yesterday.

Dr. Vaughan, speaking at a Pharmaceutical Services Negotiating Committee conference in London, estimated that between five and 10 per cent of all prescribed drugs were being thrown away. He cited as evidence the "startling" results of campaigns to collect unwanted medicines.

He said that in the Thanet area of Kent some 3m tablets and capsules plus more than 60 gallons of medicines and chemicals — including cyanide and strychnine — had been handed in during an 11-day campaign.

But last night the Association of the British Pharmaceutical Industry said there was no firm evidence that drugs were being over-prescribed. In some disease areas, such as high blood pressure, patients might not always be getting the drugs they needed.

Drugs prices were tightly controlled by the Government, it added.

Consett bid for plant holds hope of 500 jobs

Financial Times Reporter

CONSETT IN County Durham may regain 500 of the 3,700 jobs lost in the British Steel Corporation's closures last year if a group of North-Eastern businessmen succeed in a bid for part of BSC's engineering assets there.

The consortium says it would employ 500 people immediately, rising to 200 by the end of the year and at least 500 on three shifts by the mid-1980s.

The group, headed by Mr. "Mac" Murray, a resident of Consett, has offered to take over a construction shop formerly used by Redpath Dorman Long (RDL), the corporation's heavy engineering subsidiary.

Last week, the group accompanied by Mr. David Watkins, MP for Consett, met Mr. Ian MacGregor, the BSC chairman, and said he was sympathetic to the project.

They propose to use the RDL plant to make steel structures for the offshore oil industry which would be supplied for final assembly to M.M. Oil, Mr. Murray's fabrication company at Hartlepool.

The group is believed to be offering about £½m for RDL's 90,000 sq ft site as well as heavy equipment to be used for rolling heavy steel plate into tubular sections for offshore structures.

The money would come from the buyers' own resources, Department of Industry grants, and from BSC Industry, the corporation's arm for creating jobs in steel closure areas.

One problem is that RDL is believed to have partly dismantled the plant, where between 100 and 150 people were previously employed. They were made redundant shortly after the end of steelmaking at Consett.

Since RDL is also heavily engaged in offshore supply work, BSC might also have to weigh up whether the sale would hurt its interests elsewhere.

Alan Pike adds: BSC is close to agreement with Nippon Steel of Japan on a contract which will provide technical assistance with the corporation's blast furnace operation. Talks have been in progress for some time and it is likely that details will be finalised soon.

BSC is seeking technical advice on the operation of its blast furnaces at Redcar on Teesside and Ravenscraig in Scotland.

Economists display pre-Budget scepticism of Government policy

BY PETER RIDDELL

ON THE eve of the Budget many City economists are worried about whether the Government will stick to its medium-term financial strategy and about the dangers of a re-acceleration of inflation.

A batch of pre-Budget stockbrokers' and other circulars published over the weekend shows considerable scepticism about Government economic policy after the failures of the last year. City analysts stress the risks at present from too lax a fiscal and monetary approach and from too large a cut in Minimum Lending Rate tomorrow.

In contrast, Cambridge Econometrics, the commercial arm of the Cambridge Growth Project, suggests that there will be no significant recovery in activity until 1983 and argues for a relaxation of fiscal policy and for action to reduce the exchange rate.

Cambridge Econometrics, which is completely separate from the Cambridge Economic Policy Group headed by Mr. Wynne Godley, argues that over three years a 10 per cent fall in the value of sterling would save 400,000 jobs, boost manufacturing output by 6½ per cent and raise profits by £2bn.

In detail these are the main points of the latest analyses.

● Stockbrokers James Capel say the "Budget prospect is again one which could disappoint financial markets." The brokers urge an increase in the basic rate of income tax to contain public sector borrowing and a cut in the national insurance surcharge.

● A gloomy view of the short-term economic outlook has come from the Henley Centre for Forecasting. Total output is now expected to drop by 1.9 per cent this year compared with 1980. Looking at the Budget prospects, the Centre says that foreign exchange markets have already anticipated a significant fall in MLR and there is a danger that a 2 per cent cut might lead to a renewed rise of the pound.

● Forex Research, the foreign exchange forecasting group, suggests that the recent fall in sterling does not mark the start of an enduring devaluation. Forex considers that the enormous interest rate differential in favour of the dollar will soon narrow. Sterling can then be expected gradually to regain its position against the dollar.

● The Budget should be neutral in demand terms since a spontaneous economic recovery is in prospect in the next three to nine months, according to brokers Fielding, Newsom-Smith and Company. The firm argues that the money supply targets for 1981-82 should be fixed so as to claw back part of the excess growth in the past year.

● Brokers Sheppards and Chase maintain that "the Government is acting in a way wholly consistent with the 1960s Keynesian antecedents of most of its members."

● Monetary policy has been excessively tight, as measured by both real interest rates and all measures of money and liquidity other than sterling M3, according to brokers Laing and Cruickshank. Therefore MLR should be reduced sharply.

'More equal' tax system proposed for married couples

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE PRESENT system for taxing husbands and wives should be replaced by individual taxation of earned income, two researchers at the independent Institute for Fiscal Studies argue this morning.

Mr. Nick Morris and Mr. Neil Warren, both on the institute's staff, say in its journal Fiscal Studies that the present system of taxing married couples is unacceptable.

This is because of its favourable treatment of two-earner couples and the element of sex discrimination.

The suggested option for individual taxation in the Government's consultative Green Paper is criticised as proving only cosmetic changes in most cases from the present system.

By allowing couples to choose to be taxed separately on all income, tax liability on investments and on the wife's national insurance pension could be reduced. Most of the lost revenue would go to higher income couples.

Instead, the researchers argue that a system of individual taxation should be introduced as soon as possible.

But in order to avoid the need for transfers between spouses or rules preventing these, the couple should be the unit for investment income which should be aggregated and then added to the highest income for tax purposes.

The revenue generated by such a move should be used to increase child benefit from £4.75 to £8.60 a week for all children.

Bowater losing over £24m by closing Ellesmere Port mill

BY ANDREW FISHER

BOWATER CORPORATION will have to bear redundancy, closure and plant write-off costs between £24m and £29m because of the closure of its Ellesmere Port paper mill.

The company said yesterday that the final figure would depend on how much it managed to obtain from sales of assets at the mill, which closed last November.

Ellesmere Port mill accounted for well over half Britain's newsprint capacity and employed about 1,600 workers.

At the same of the closure, it was losing nearly £7m a year. High raw material and energy costs hit the mill while sterling's strength kept down the price of competing imported newsprint.

Bowater said that the cost of closing the Mersey mill, which had an annual newsprint capacity of 185,000 tonnes, would be treated as an extraordinary item after tax in the 1980 results, due on April 9.

Bowater profits before tax showed a £2m increase to £44.7m in the first half, with a strong performance from the North American pulp and paper mills. Dollar earnings account for the bulk of group profits, which totalled £91m in 1979.

Having closed Ellesmere Port, the group has transferred the business of Bowaters United Kingdom Paper Company to another subsidiary with the same name.

This has enabled Bowater to continue paying out the necessary funds to the old company, now being liquidated after the mill closure.

The group emphasised that Bowater United Kingdom was not insolvent and not in liquidation. This is the management company for its UK manufacturing activities including quality paper, packaging, building products, tissues, and insurance broking.

Announcing the interim figures last September, Bowater said its UK operations had suffered from falling demand in the recession, while the strong pound was intensifying competition from abroad.

Against this background, the group finally decided to close the mill at Ellesmere Port, a move initially fought by trade unions. The closure took place despite offers of UK and EEC grants to help build a new pulp mill and reduce dependence on imported chemical pulp.

Select committee sees light at the end of the Chunnel

Lynton McLain reports on the latest Channel tunnel findings

The House of Commons select committee on transport decided on Friday to support the idea of a channel link between England and France, adding impetus to the possibility of such a link being built before the turn of the decade.

The MPs' investigation into the subject over the past 12 months was itself started by revived interest in the link. This interest had started almost as soon as the last tunnel scheme had been abandoned by the British Government in 1975.

The excuse by the then Labour Government was the high cost of the overland high speed rail link between the proposed tunnel's UK landfall at Cheriton, Kent and a new terminal at White City, London.

The 1975 plan was ambitious, environmentally highly sensitive, costly and would have created serious problems for ferry operators and ports.

The proposals called for the drilling of three separate tunnels, two single-track railway tunnels and a smaller service tunnel.

It was the physical scale of the proposed twin rail tunnels that posed the greatest potential threat to ferry operators and ports. The tunnels were to have an internal diameter of 6.85 metres, large enough for conventional European-sized freight and passenger trains running in both directions.

But more significantly in the view of its opponents, the 1975 scheme was big enough for single-deck wagons carrying lorries up to 4 metres in height and double-deck wagons carrying two tiers of cars accompanied by their drivers and passengers.

The scale of this proposal is encapsulated in two public statements made at the time. The high-speed wagon freight services and the vehicle ferry service were designed to run "at least every four minutes at peak periods"—far ahead of anything sea ferry companies provided, and the service for lorries would be a "rolling motorway." Total journey time, including loading and unloading, would have been about one hour.

The MPs on the current House of Commons select committee on transport which reported on the Channel link on Friday echoed the thoughts of those who recognised that the 1975 scheme "would certainly have impeded the expansion of (port and ferry) services and might have threatened their commercial viability."

The proposed twin tunnel would have achieved "something approaching a monopoly of cross-Channel services, at least in the Straits of Dover, with the attendant risks of interruption through industrial action, terrorist attack, or as a result of serious accidents or unforeseen natural hazards," the MPs said in their report.

These problems and environmental objections, led to widespread opposition from commercial interests and from most local authorities and other representative bodies in Kent.

The result was two-fold. First, British Rail and French Rail (SNCF)—still keen to see a railway tunnel linking the two rail networks—started work after the 1975 plan was dropped on plans for a much less ambitious scheme. This was to be cheaper and without the purpose-built rail link to London which sealed the fate of the previous scheme.

The second result was to make British Rail and SNCF concentrate on a rail-only tunnel, of single-bore and of such a size—6.02 metres—that conventional rail passenger trains and freight trains pulling loaded wagons and train-mounted containers only would be able to use the tunnel.

The MPs recognised the attractions of a "conventional bored railway tunnel" but stressed that it was not their intention "to endorse a single proposal by a single promoting group or to recomend the adoption of any one scheme without further examination by the House of Commons or the Government."

Nevertheless, with a clear acknowledgement of the opposition which was aroused by the twin railway tunnel plan of 1975, the MPs concluded that "the overwhelming weight of local opinion in Kent is in favour of the BR single bore railway proposal or its commercial equivalent."

The Kent ports could suffer a "minor setback" in their development as a result of the BR scheme, but would probably recover as cross-Channel traffic continued to grow, the MPs said.

But in recognition of the dominance of road freight the MPs recommended a compromise. The primary facilities offered by a link should be restricted to the railway mode, they said. But to start a major new facility for cross-Channel traffic "which totally and for all time ignored the present majority preference for road transportation must be a questionable propostion," the committee added.

The British Rail/French Rail proposal for a 6.02 metre rail-only-tunnel does ignore this preference. By not catering for lorry freight traffic it would serve the commercial interests of the railway but not the nation as a whole.

As a result of this limitation, the select committee called on the Government and the House of Commons not to support any link which precluded the provision of a road vehicle ferrying capacity.

Rather than go for the twin-tunnel approach which caused so much dissent six years ago, the MPs opted for a single bored tunnel of 6.85 metres as required for the 1975 scheme.

To start with, however, it should be used only as a rail link, with no facilities for a "rolling motorway" for lorries carried on trains.

This could come later, if traffic expectations justified it.

The committee envisaged legislation in Parliament in two stages to allow the tunnel to be built to this larger diameter. The first stage would allow for the rail-only link, inside a tunnel wide enough to take train-borne lorry traffic later.

This approach could be the worst of all worlds. The larger tunnel would cost about £100m more than the estimated £920m needed for BR's 6.02 metre rail-only tunnel.

This two stage approach could have two negative effects on plans for a larger, 6.85 metre tunnel. First, the need for further Parliamentary powers and allowance for more public inquiries would open the way for dissent, similar to that voiced in 1975, to be expressed by the people of Kent on environmental grounds.

Second, would be the uncertainty created in the minds of would-be private fiunanciers of any fixed link scheme. The larger tunnel, with its capacity to handle conventional train traffic and lorries on trains, would almost certainly yield a greater return than the simple rail-only, narrower tunnel proposed by BR. As such, the larger tunnel should prove to be the more attractive to the private investors the Government insists should finance any scheme.

But if the larger tunnel is to become operational in two stages, with the second, and more important phase subject to delays and tough campaigning by environmentalists, it is questionable how many private financiers would wish to be involved.

This thought must have occurred to the select committee because they suggest that the Government should provide the extra £100m needed to bring British Rail's scheme up from 6.02 metres rail-only standard to the all-embracing standard of 6.85 metres.

However, the Government was quick to underline on Friday, within minutes of publication of the report, that it would not provide these extra funds under any circumstances.

Large boost in aid sought for 'urgent' canal repairs

BY MAURICE SAMUELSON

THE BRITISH WATERWAYS Board, which runs the country's canal system, has joined the queue of State-owned enterprises seeking substantially more financial help from the Government.

The board says the backlog of urgently needed repairs on reservoirs, tunnels and bridges would cost more than £120m and that much of the country's canal system will collapse without it.

"What we must have is adequate money — and now," Sir Frank Price, the Board's chairman, said at the weekend.

Sir Frank, in a speech to the Staffordshire and Worcestershire Canal Society, listed a number of outstanding repair bills in addition to the £100m worth of maintenance, to be implemented under the 1975 recommendations of Peter Fraenkel, the engineering consultants.

The additional work, totalling £22.2m, is on:

- Reservoirs: £7.5m;
- 404 road bridges: £5.7m;
- Bridges, to cope with heavier lorries under EEC rules: £8m-9m.

Sir Frank said the repairs would become more and more expensive the longer they were put off. The board's finances had always been precarious and in real terms its income was lower than in 1978.

It would be a tragedy for the 200-year-old canal system if his appeal was ignored, he said.

Thatcher to open Mersey torpedo factory soon

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

MRS. THATCHER is to open a factory at Neston, Merseyside, of Marconi Space and Defence Systems, which is expected eventually to employ over 1,000 in manufacturing torpedoes.

The Prime Minister's visit will be on April 10. The Neston plant is designed to become a major underwater weapons manufacturing establishment, and already has 180 workers.

Work will include the manufacture of the Stingray lightweight torpedo and the Mark 24 heavy torpedo. Eventually, if Marconi wins the current competition with a U.S. organisation, the factory could also build a new heavyweight torpedo for the Royal Navy.

Mr. Don Ingham, general manager at Neston, said the plant will build up to about 1,000 workers over the next three years. Marconi Space and Defence Systems was already talking to overseas countries about exports.

UK NEWS

Tobacco industry braces itself for Budget shock

David Churchill examines the problem of shouldering a 69% tax burden

THE UK tobacco industry is preparing itself for the worst in tomorrow's Budget. The industry is expecting at least an extra 6p duty on a packet of 20 King Size cigarettes and would not be surprised at an even heftier increase.

The result will inevitably be to depress consumption already hit by the recession and the anti-smoking lobby. And it comes after a year of agonising negotiations on a new voluntary agreement on cigarette advertising—an agreement that already looks likely to be replaced by tougher statutory controls within the next few years.

It is hardly surprising, therefore, that the tobacco industry is beginning to feel more than a little hard done by. The major companies are also well aware that, in spite of attempts to diversify into non-tobacco areas, it is still tobacco that forms the bulk of their profits.

The Imperial Group, for example, last month revealed that its tobacco interests provided some £80.4m of its total trading surplus of £141.3m in its last financial year. Imperial's figures also show that tobacco profits became more important over the year, accounting for some 57 per cent of trading profits compared with 55 per cent in the previous financial year.

At the same time, Imperial's other main areas of activity into which it has diversified heavily in recent years—foods, brewing and paper and board—all suffered setbacks.

BAT Industries has also tried to diversify into areas such as retailing to lessen its dependence on tobacco. But its diversification has been mainly unsuccessful so far both in the UK and overseas and it still earns some 70 per cent of its profits from tobacco.

Trade figures show that cigarette consumption fell by about 2¼ per cent in 1980, compared with a year before. This was a sharper decline than in recent years mainly as a result of the 5p per 20 cigarettes increase in taxation in a year of economic recession.

Current cigarette consumption is estimated at some 120bn cigarettes a year, although this is some 14 per cent below the peak rate of consumption reached in early 1974.

The industry feels aggrieved that duty increases since the mid-1970s have increased cigarette prices at a faster rate than price movements generally. It argues that if cigarettes continue to be an annual Budget target, the industry will begin to decline—with a loss of jobs and future revenue receipts.

The companies contend that any cut-back in an industry which accounts for some 4 per cent of total consumers' expenditure will have repercussions for the economy as a whole.

Cigarettes are undoubtedly one of the most highly taxed products. Total tax content, for example, of a packet of 20 King Size cigarettes selling at 77p will be about 69 per cent. Out of that 77p, the manufacturers' costs, profits and Customs tariff will account for 16p; distributors' costs and profit for another 8p; ad valorem duty will add 16p; specific duty will put another 27p on top of that; and finally VAT will add 10p to bring the price up to 77p.

The Government last year received some £2.6bn in duty plus an estimated £450m in VAT.

The tobacco industry, however, realises that even providing the Exchequer with such huge sums does not guarantee their freedom from interference. The anti-smoking lobby has been growing in strength in recent years and has one of its most fervent supporters in Sir George Young, an Under-Secretary at the Department of Health.

The tobacco industry showed that it still carries considerable political muscle by defeating the attempts by Sir George and other Ministers to impose strict controls on cigarette advertising.

Protracted negotiations last year for a new voluntary agreement did little to curb the tobacco companies' promotional activities. But a sign that the industry's traditional sway with Government was weakening was shown by the fact that the new agreement lasts for only two instead of four years.

The next round of political manoeuvrings has already begun and the industry is well aware that it faces a tough time.

In the immediate future, however, tobacco companies will be faced with a more bitter battle to maintain their market shares as a result of the inevitable slump in sales caused by a duty increase.

NEB offshoot to manage small concern investments

BY MAURICE SAMUELSON

THE NATIONAL Enterprise Board yesterday confirmed the creation of a £10m subsidiary to run its investments in some smaller concerns and to help attract private sector finance for its activities.

It said the company — Grosvenor Development Capital —would initially be responsible for managing NEB investments in about 10 small concerns. It was also intended to develop into a self-supporting holding company in which a small number of institutional investors could participate.

The non-executive chairman of the new company is Mr. John Oakley, chairman of Berwick Timpo, the toy manufacturer, and deputy chairman of Robert Jenkins (Holdings).

The other directors are Mr. John Williams, the NEB's director of operations and former deputy chairman of Lucas Aerospace; and Mr. Anthony Crook, NEB assistant director.

The idea of the NEB forming subsidiaries for some of its companies was developed for the board's major electronics holdings by Sir Leslie Murphy, its former chairman.

Attracting private capital into NEB-run enterprises is in line with the Government policy that the NEB should gradually shed most of its investments in business which can survive without State funds.

The NEB is also to set up another subsidiary which will provide loans of up to £50,000 to small businesses, usually in partnership with other institutions.

Agency urges more help for small business

By Maurice Samuelson

GREATER EFFORTS should be made by the Government to bridge the gap between financial institutions and small businesses, the London Enterprise Agency said yesterday.

The agency's plea was made in the latest edition of its booklet "Sources of Finance for Small Firms."

It said that although it could help small concerns to raise capital through entrepreneurial training courses and counselling, it also hoped to see more measures to encourage bigger investment in them in tomorrow's Budget.

Sources of Finance for Small Firms, by David C. Bloomfield; 47pp; (London Enterprise Agency, 69, Cannon St., London EC4); £5.

Social Democrat challenge in council polls foreseen

BY ROBIN PAULEY

GOVERNMENT Ministers urged Conservatives at the weekend to fight both the advancing Left and the Council for Social Democracy.

Lord Thorneycroft, chairman of the party, warned the Conservative local government conference in London that Tories would face a tough task defending their seats in the May county council elections.

Mr. Michael Heseltine, Environment Secretary, tried to shrug off the emergence of the Social Democrats but delegates were clearly nervous about the new moderates as the Labour Party was at its recent local government conference.

"The Left is winning the battle for the Labour Party at every level—local government, in the unions and in Parliament," Mr. Heseltine said.

The Left's success was spreading and the Conservative Party had to fight it. It was the only party prepared to grapple with the Left in the same way as it was the only party willing to tackle the country's economic problems.

The CSD would not be able to achieve this. Its electoral chances were negligible, which was why most moderate Labour MPs were not joining the group.

Mr. James Prior, Employment Secretary, took the same theme when discussing the sackin- of Miss Joanna Harris by Sandwell District Council because she refused to join a union.

"This is what happens when dogma takes over. I hope that if damages are awarded in cases like this (by a tribunal) the councillors responsible will be surcharged," he said—a comment which is bound to revive discussion about the allegedly growing quasi-political role of the district auditor.

BA loses fight on Middle East pick-up rights

By Michael Donne

BRITISH Airways has lost its fight to prevent independent airlines picking up passengers at Middle East points en route to and from Hong Kong.

The independents—British Caledonian and Laker Airways—were granted Middle Eastern rights by the Civil Aviation Authority. British Caledonian was awarded rights at Abu Dhabi, and Laker Airways at Sharjah. Cathay Pacific, the Hong Kong flag airline, was given rights at Bahrain.

British Airways appealed to Mr. John Biffen, the Secretary for Trade, against the decisions, saying they would affect its own traffic to and from the Middle East.

But Mr. Biffen has decided to let the original awards stand.

LABOUR NEWS

New BPC chief demands up to 2,500 staff cuts

BY JOHN LLOYD, LABOUR CORRESPONDENT

MR. ROBERT MAXWELL, the new chief executive of BPC, is demanding urgent cuts of up to 25 per cent in the group's workforce of more than 10,000.

He is seeking an agreement on reductions of around 27 per cent in Sun Printers, the company's largest plant and one of the country's main photogravure operations.

Talks between print union officials and BPC went on until late Friday night, and are expected to resume today.

The unions say they have been told that heavy staffing cuts are inevitable if the company is to remain viable and if the banks — which have become alarmed by the group's position — are to be reassured.

Intensive negotiations at local and national level have gone on for a week.

Senior union leaders hope to be able to conclude a settlement with cuts of less than 25 per cent this week.

Mr. Maxwell tabled a demand that all pensions be frozen and BPC negotiators floated the possibility of a standstill on wages for this year, and the introduction of short-time working. All three options were rejected by the unions.

However, it is now clear union officials believe the group's position is serious and are prepared to extend at least limited co-operation in a slimming-down exercise.

Job interviews 'should avoid sexual bias'

By Our Labour Staff

APPLICANTS for jobs should not be asked questions about their marriage plans and interviewers should be carefully trained to void discrimination on grounds of sex, according to recommendations included in the consultative draft of a new code of practice published today by the Equal Opportunities Commission and aimed at eliminating sex discrimination in employment.

The Commission hopes that after consultations on the draft have been completed, Parliament will give its approval and the provisions of the new code will be taken into account in sex discrimination and equal pay cases heard by industrial tribunals.

Union opposes Japanese management technique

BY CHRISTIAN TYLER, LABOUR EDITOR

THE ADOPTION by some British companies of a Japanese management technique—so called "quality circles"—has aroused the opposition tof the Transport and General Workers' Union.

Rank and file leaders of the union have complained that companies including Ford Motor, Chloride and BL, have been "going over the heads" of shop stewards.

"Quality circles" are informal groups of workers who, with or without the presence of management, meet to discuss how their product and working methods might be improved.

Mr. Moss Evans, general secretary of the TGWU, said after hearing these complaints: "We accept wholeheartedly, and would co-operate to the maximum, with efforts to improve the quality of products. But we believe this should be done in the normal way—through the trade unions."

Some union officials fear that the introduction of Japanese methods into the British working environment will lead eventually to tighter manning.

This introduction is occurring when, according to the TGWU, some employers are exploiting workers' fear of unemployment to push through changes in working methods.

Mr. Evans, who is to visit Japan this week, said: "Employers should continue to discuss objectively with the trade unions any changes that are required in working practices and have them mutually agreed.

"Some employers are even threatening to close works down in order to change practices."

Prior defends strategy on unemployment

MR. JAMES PRIOR, Employment Secretary, yesterday defended the Government's strategy on unemployment and inflation and said it would bring new jobs and greater prosperity.

Mr. Prior, speaking to members of the Conservative Political Centre, admitted that the Government was bound to face some criticism. "We understand that, and let's face it, we all have to take our share of the blame for Britain's poor performance these past 20 years.

"But we also understand that people have to be convinced now, and in the months ahead, that our approach is clearly the right one and that it will bring results in the form of new jobs and greater prosperity."

Dockers' severance pay dispute revives debate on surplus labour

THE PROBLEM of surplus labour among dockers in Britain's financially ailing ports has resurfaced for the second time in fewer than six months this time in a row over severance payments.

The Government was reminded of the problem's explosive potential last October when dockers went to the brink of staging a national strike over the threat of compulsory redundancies in Liverpool.

As the Government showed in its recent climbdown over proposed pit closures in the mining industry, Ministers do not want to risk battles with major industrial groups of workers who have the power to inflict serious economic damage on the country.

It was against this background that the Ministry of Transport took the unusual step last month of announcing it was offering London and Liverpool—the two ports with the most serious surplus labour problems—a topping-up supplement to the national dock labour severance payment scheme.

The offer, designed to shed surplus labour in the two ports more quickly, is open only for two months this spring and raises maximum severance pay for London and Liverpool dockers volunteering for redundancy to between £5,500 and £16,000 a man. There is no work for about 1,000 workers on the wage books of each port.

The move has led predictably to an outcry from other ports such as Bristol, Hull, Teesport, Grimsby, Clyre, Aberdeen and Manchester, which are also worried about the cost of paying fall-back wages of £78.50 a week to surplus dockers and believe the Government should take equal account of their circumstances.

On Friday, dockers, leaders in the Transport and General Workers' Union also voiced their objections to a Government aid scheme which leaves members in some ports worse off than others if they apply for voluntary redundancy.

A meeting of the union's national ports and waterways committee recommended that its members in London and Liverpool should not take up the Government supplement.

Although the move is unlikely to weigh very strongly with dockers who have made up their minds to leave, it can only add to uncertainty over the scheme's success and increase worries about the number of dockers in ports other than London and Liverpool who will hold back from applying for redundancy.

Pauline Clark reports on the uncertainties surrounding the Government's offer of a topping-up supplement to dock workers who volunteer for redundancy

Some of the 52 surplus dockers in Bristol have withdrawn applications since the Government announcement.

The Government probably went as far as it could towards helping to solve the financial crisis in the two ports without appearing to have blatantly backed down on its non-interventionist policy.

But its action also served to underline the difficulties faced by a major industry in Britain which is almost alone in being tied to a firm national agreement with the majority of its workforce ruling out compulsory redundancies.

Britain's dockers showed last October the extent to which they still hold sacrosanct that agreement, signed in the aftermath of the 1972 national dock strike.

Employers seeking to honour that agreement in the face of serious financial difficulties face growing problems made considerably worse by mounting unemployment and the consequent reluctance of dockers to volunteer for redundancy.

Only last month the Mersey Docks and Harbour Company, the biggest port employer in Liverpool, gave a blunt warning to its workforce that unless it can cut the number of dockers it employs by 1,000 before the end of April the port—or at least a major part of it—will have to close.

To the dockers the implications are already clear—such a closure would mean compulsory redundancies. Mr. Ritchie Pearce, chairman of the unofficial national ports shop stewards committee, believes the severance pay supplement will fail and is anticipating a meeting by the end of March to discuss what he says will inevitably lead to a national dock strike should the MDHC carry out its threat.

In the aftermath of last October's dispute, port employers were granted a raised loan ceiling by the Government to enable them to increase dockers' severance pay nationally by £2,000 to a maximum £10,500 with an additional tax-free benefit of £2,000 for dockers over 60 years of age.

So what more can be done if the new move to prevent crisis in the ports industry fails? To the dockers' leaders in the TGWU the answer can only be to establish new work for dockers at inland freight and container-handling depots where other workers do the jobs done by quayside dockers before the container revolution.

But the problems which prevented the last Labour Government from introducing a half-mile corridor of container-handling work for registered dockers are no nearer resolution.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Loudspeak and phone in one package

LATEST intercommunication system from Philips Business Systems, available from Pye Business Communications of Cambridge (0223 45191) combines ordinary telephone instruments with loudspeaking facilities.

Controlled by a micro-computer, the M100S system uses pair cables in star configuration to connect the switching centre to the instruments. The design is such that ordinary dial or push-button hand-set instruments can be used on some connections while others employ desk-top units containing microphone and loudspeaker for "hands-free" office communication. They can be changed at any time without modification to exchange or cable on a "plug-in" basis.

Basic exchange capacity is 96 lines but this can be extended up to 240 lines in 16 line increments. At the full expansion, up to 32 simultaneous speech channels are available.

Calls are set up by normal three-digit dialling or keying. If direct speech is employed by one or both parties the system automatically reverts to voice-switched mode without user intervention.

Most of the facilities offered by modern stored program technique can be provided by M100s, including queuing, follow-me, number transfer auto-recall, priority break-in and "camp-on-busy" in which when an engaged instrument is called the caller is put in a waiting mode for 100 seconds and will be conected if the called number becomes free.

A version of the M100S has voice response so that, for example, the exchange verbally informs an occupied party that a particular extension is attempting to reach him. The system will even tell a user which numbers have been trying to reach him in his absence.

Pontoon gives pollution no chance to pass

A TRANSPORTABLE pontoon skimmer designed to remove floating pollution, including crude oil, from lakes, rivers, estuaries and sheltered coastal waters has been introduced by the Finnish company Rolate Oy. The unit measures 5 metres by 5 metres, weighs 2,400 kg and has a working speed of about three knots. A larger version for offshore operation is reported to be under development.

The pontoon, named the Rolate-80, is carried on two foam-filled stainless steel floats. A hydraulically-rotated finned drum sweeps polluted water into an open-ended silo with bellows-type walls, normally 3 metres deep, which can be retracted for operation in water as shallow as 400 mm. Floating oil and debris remain in the silo while the water flows out of the bottom. A reserve silo can be fitted if required.

When the silo is full a rotary pump transfers liquid and particulate pollution into floating flexible tanks, into a tanker, or into containers on the deck of a work-boat tied up alongside. Larger solids can be raked out and stored in plastic bags for floating ashore or landing later.

It is claimed that up to 300 tonnes of contaminated water can be cleaned in an hour and that about 57 tonnes an hour of oil can be skimmed from a floating slick 1 mm thick.

The floats are fitted with hydraulic motors and shielded propellers capable of steering the skimmer or turning it round in its own length. When the unit is packed for transport by road the floats are folded under the body, thus reducing the overall height to 2.6 metres and the width to 2.4 metres.

In operation the skimmer can be moved backwards and forwards over the polluted area or booms can be used to direct oil or debris to it. Two types of boom have been developed by Rolate: the zig-zag and the Rukka. The zig-zag boom consists of plastic plates, 1.5 metres long and 950 mm deep, ballasted to float about two-thirds submerged. Lines and spreaders keep adjoining pairs at the optimum angle, allowing the boom to follow wave movements

Israel will channel the power of the Med

BY MAURICE SAMUELSON

ISRAEL HAS begun taking the first steps towards producing hydro electric power by linking the Mediterranean with the Dead Sea, the lowest point on the Earth's surface.

It involves channelling sea water underground to turbine generators on the spectacular cliffs overlooking the Dead Sea, whose slimy saline waters lie 400 metres below sea level. The canal would power a 570 Megawatt four-turbine power station, supplying 15 per cent of Israel's needs by the 1990's.

Variants of the scheme have fascinated engineers since the beginning of the century. But it has only been rendered economically attractive by the oil price rises of the past few years, which have been especialy burdensome for a country with virtually no fossil fuels of its own.

In scale, it vies with Israel's ambitious project to divert fresh water from the Sea of Galilee at the northern end of the Jordan valley to her arid south-lands. That scheme, completed in the mid-1960's, also sprang from plans originally laid early in the century.

The Dead Sea scheme is also remarkably similar to the current Egyptian plans to produce hydro electricity by digging a channel from the Mediterranean to the huge Qattara Depression in her Western desert.

The breakthrough for the Dead Sea canal came last August when the Israeli Government agreed in principle that it should be built and ordered the Finance and Energy Ministers to appoint a directorate for the project.

The Finance Ministry said that the Government could not afford the money for the scheme, now put conservatively at $800m. But a promise of help has come from the U.S.-based Israel Bonds Organisation, which has helped to finance the country's biggest development projects.

It has launched a world-wide campaign to finance the Canal privately by selling special low interest bonds of U.S.$100,000 each. Some of the money is to be raised in the UK by a newly formed company headed by Sir Isaac Wolfson, chairman of Great Universal Stores.

Much of the preliminary discussion concerned the route which should be used to link the two seas. A committee headed by Professor Yuval Ne'eman, one of Israel's leading nuclear physicists, finally recommended one stretching from Katif on the Mediterranean, through Beersheba and Ared in the Negev desert, to Ein Bokek, on the Dead Sea, near the famous Herodian fortress of Massada. The whole route would be 110 km long.

But as this would put the Mediterranean terminal inside the disputed Gaza Strip, the Israel Government will probably site the Mediterranean terminal North of the Gaza Strip. This will lengthen the route by 10 km and increase the cost by nearly 10 per cent. But it will keep the entire waterway inside Israel's pre-1967 boundaries, thus easing the embarrassment of potential investors a well as countering possible Egyptian objections.

This will not satisfy the Jordanians who control the Eastern half of the Dead Sea. Like Israel, Jordan has a thriving industry extracting potash and other chemicals from the Dead Sea. It is anxious about the possible effects on the Dead Sea's chemical balance.

However, it appears that the Jordanian objections are primarily political, and could only be overcome if Jordan followed Egypt in making peace with Israel.

While Israel would like Jordanian participation, therefore, she does not regard it as indispensable. Jordanian engineers have agreed that the Canal would help to replace the water which the sea has lost because of the big irrigation schemes elsewhere in the Jordan valley basin.

The route preferred by the Ne'eman committee starts at the coast where a short canal takes sea water to a pumping station, which pumps it underground for seven kilometres, to the head of a second stage lying 100 metres above sea level.

From there, the water starts flowing in a straight sided canal for 22km through the western Negev desert. It will cross the Wadi Besor, one of the area's biggest stream beds, in an inverted siphon.

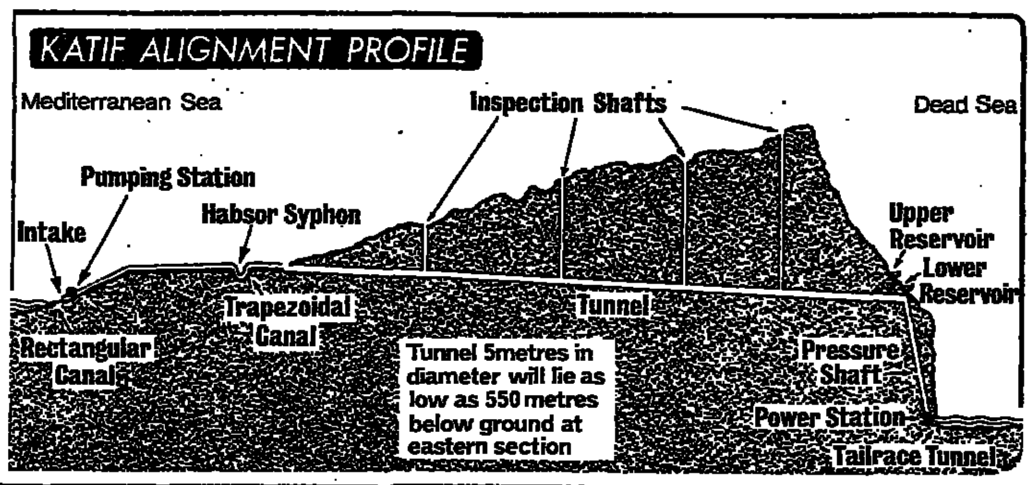
Near here it enters the 5 metre diameter tunnel which slopes gently for 80km all the way to a pair of reservoirs overlooking the Dead Sea. Towards the eastern end the tunnel will be 550 metres underground.

From the reservoirs, the water will drop at pressure into the subterranean power station 25 metres below, containing four turbines with a rating of 570 Megawatts, 20 kms of cable tunnels, and outlet tunnels into the Dead Sea.

In addition to producing hydro electricity, Israeli planners say the canal will have several other valuable side effects, such as supplying cooling water for inland thermal power stations, heavy industries or desalination pools.

Once completed it will fulfil the prophecy made in 1902 by Dr. Theodore Herzl, who in his futuristic novel about travellers in an imaginary State of Israel later in the 20th century wrote:

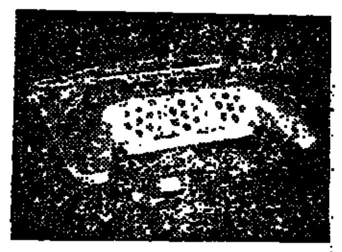
"Before them stretched the broad blue expanse of the Dead Sea, and an ear-splitting din was heard here, the sound of the waters of the canal brought here in tunnels from the Mediterranean pouring down into the valley. . . ."



Keeping more eyes on the road

ROADSTUDS of cast aluminium alloy, with small multiple reflectors in clusters, and corrugated "roots" which are simply inserted in pre-drilled round holes in the carriageway and then grouted with bitumen, have been developed by Prismo Universal, a member of the Redland group.

Prismo claims that after extensive research it was found that at approach angles between 10 and 15 degrees the small lens clusters offered important advantages over the single large reflector lens of about 6mm diameter. Each of the three clusters on each side of the roadstud has seven lenses set in a white plastics disk.



White, amber, red and green bi-convex reflector lenses are all available, and Prismo claims that their reflection coefficients exceed the limits set by British Standards.

After experiments with fixing, Prismo says, the corrugated cast aluminium alloy "root" or stem set in bitumen grout proved superior to both the "buried" type, which requires a large hole in the road, and the "stick-on" type which tends to come unstuck.

The aluminium shroud is designed to protect the lenses from impact damage by heavy vehicles and also allows them to be wiped clean by passing wheels, Prismo claims. Details from Redland on 01-405 2876.

NEWS IN BRIEF

MICROELECTRONICS

SEMI-CONDUCTOR random access memory cells made in a "polycide" process to dimensions of a millionth of a metre have been announced by the Yorktown Heigths laboratories of IBM.

The material, tungsten silicide on polycrystalline silicon, enables the RAM to be constructed using a single polycide layer instead of two polysilicon layers in the conventional process.

Fabricated by direct electron beam writing, the cells have an area of only 34 square microns and are believed to be the smallest ever made. Rise times that are 10 times shorter than in polysilicon have been achieved due to the fact that the polycide sheet resistance is only one-fourteenth that of polysilicon. In addition, metal-to-polycide contact resistance is also much lower—important because of the large number of interconnections and contact holes that are used. More dense, faster memories should in due course result from the work.

METAL WORKING

CLAIMED to be suitable for marking, riveting, bending, piercing, forming and similar metal-working applications, a four-ton hydro-pneumatic press introduced by Edward Pryor and Son, Sheffield (0742 739044), is a short-stroke vertical machine operated from any normal compressed air source.

Named the Pryormark 31, it has a stroke of 6 mm, a "daylight" space adjustable from 60 mm to 160 mm, and operating speeds up to 2,000 strokes an hour. The overall dimensions are 730 mm by 320 mm by 190 mm, while the table measures 150 mm by 150 mm. The net weight is 57 kg.

WELDING

ULTRASONIC THRUSTER units for welding plastics mouldings and materials in applications where it is not feasible to use a full moulding press have been introduced by P. B. and E. Engineering, Slough SL1 (75 36536) for multiple spot welding or for building into special-purpose machinery and fully automated systems.

They are also claimed to be suitable for use in hazardous locations, since the generator and electrical control gear can be isolated from the thruster unit.

The main range comprises units of 400W, 800W, and 1,600W. A miniaturised 40 kHz unit is also available.

SLICKLINES

A STRONGER type of wire-rope strand for servicing oil and gas wells has been introduced by the Bridon Group as an addition to its "down-hole" range of wirelines ("slicklines"), strand and electromechanical logging cable. The new product, incorporating the Dyform systems of strand design and compaction, is claimed to have a breaking load 20 per cent higher than conventional strand of the same diameter, low rotational properties and high crush resistance.

Combined with the smooth periphery achieved by the Dyform process, these advantages are claimed to ensure close coiling on the drum and to reduce the risk of pressure loss at the well head stuffing box. The well service strand is made of high-tensile carbon steel wire with a drawn galvanised finish for corrosion resistance and is available in all the main operational sizes.

To meet the increasing world need for improved corrosion resistance Bridon is also producing conventional well service strand in a range of alloys, including 316 stainless steel and Nitronic 50. Details from Bridon at Warmsworth Hall, Doncaster DN4 (0302 4010).

Building and Civil Engineering

Sir Alfred McAlpine projects

FIVE CONTRACTS with a total value exceeding £25.5m have been awarded to companies in the Sir Alfred McAlpine Group. The largest, worth about £19m, is for building a superstructure on the extension to Drax Power Station, near Selby, now under construction for the CEGB. The extension will almost double the size of the 2,000 MW station.

A refurbishment and partial rebuilding contract, worth about £1.3m, awarded by the Property Services Agency of the Department of the Environment, involves the conversion of a warehouse building in Boundary Street, Liverpool, into a training workshop. Completion is due within one year.

On the M5 between High Green and Strensham the United Asphalt Company is to reconstruct the surface under a contract worth about £3m awarded by the Hereford and Worcester County Council. Completion is due in October after a 16-week break during the summer peak traffic period.

A trunk road by-pass on the A31/A35 is to be built at Bere Regis under a contract of an initial value of £2,340,000 awarded by Dorset County Council, acting as trunk road agents for the Department of Transport. The new road, 2 km long, will be a single two-lane carriageway, with one underbridge and one major culvert. Completion is due in 18 months.

At Hoo Farm Industrial Estate, Kidderminster, a single-storey steel-framed warehouse is to be built for John Tainton and Company under an contract worth about £300,000. It is expected to be completed within 29 weeks.

Post Office job in Glasgow worth £10m

CONSTRUCTION OF a new parcels sorting and delivery office in Glasgow will be carried out by Sir Robert McAlpine Project Management under a £10m contract awarded by the Scottish Postal Board. Work on the site of 4.5 hectares begins this month, with completion scheduled for late next year.

The mainly single-storey structure will measure 120 metres by 62 metres on plan and afford 13,400 sq metres of floor space. It will be heated and ventilated throughout.

The architects are William Nimmo and Partners. The consulting engineers are Scottish Postal Board (technical services); W. A. Fairhurst and Partners (structural); and Wallace Whittle and Partners (mechanical services).

New homes in the North West

TWO PRIVATE residential developments worth a total of £6.5m and providing more than 200 homes for owner-occupation have been started in the Runcorn and Chorley areas by Stockport-based Leech Homes (North West), a division of the William Leech group.

The Runcorn venture, the first by Leech in that area, will provide about 135 units in the £23,000 to £45,000 price range on a 14-acre site near Norton village. Four different types of bungalows and semi-detached and detached houses will be built. Roads and essential services are now under construction and the first house completion is due in August.

At the Chorley project, situated on former farmland at Carrbrook, north of Chorley and east of Leyland, more than 80 homes of three different types, in the £22,000 to £35,000 price range, will be built by Leech. Mature trees on the former farmland will be incorporated into the landscaped housing area. The first completion is expected in July.

Tarmac wins over £6m's worth

SIX CONTRACTS totalling more than £6m have been awarded to Tarmac Regional construction for work in England and Scotland. The largest, for the National Coal Board in South Yorkshire, is worth nearly £1.7m and covers civil engineering work at Silver Hill and Markham Main collieries. At Silver Hill the work includes the installation of rapid loading equipment.

At Falkirk, Stirlingshire, the company is to build 12 single-storey factories in three blocks under a contract with Universal (Calender) Estates worth more than £750,000, while two blocks of advance factory units in Glasgow, together valued at £1.5m, are to be built for the Scottish Development Agency.

The modernisation of 156 council houses is to be carried out for Walsall Metropolitan Borough Council under a £1.2m contract. For the Severn Trent Water Authority a balancing lake at Sandwell is to be created by Tarmac in a project valued at just under £1m.

Wrekin District Council has awarded the company a contract worth £221,000 for the conversion of maisonettes to flats and the building of adjoining car parks.

Myton work for Sainsbury

A SUPERMARKET for J. Sainsbury in Epsom, Surrey, is to be built and fitted out under a contract worth £2.9m awarded to Myton, a member of the Taylor Woodrow Group. It is the fourth such contract carried out by Myton for Sainsbury.

Work on the 40,000 sq ft project is due to start this month and to be completed in June next year. It will include a 35,000 sq ft car park for customers, with space for 170 vehicles. During the finishing period sub-contractors employed directly by Sainsbury will instal shopfittings, refrigeration plant, scissor lifts and bakery equipment.

The architects are Leslie Jones and Partners in collaboration with J. Sainsbury's own architects and engineers.

Car company expands

NEW SHOWROOMS, office and workshops for Mercedes-Benz (UK) are to be built in Edgware Road, Colindale, London, under a contract valued at £4.5m awarded to Kyle Stewart. The premises will include a single-storey workshop, ground-floor showrooms with offices over, and a car park, plant room and stores in the basement. Completion is expected in about 18 months.

Kyle Stewart has also been awarded a contract worth £800,000 to build extensions to existing warehousing at Loughborough for Fisons Chemicals. Completion is due in about 15 months.

Boskalis to beautify Blackpool

BLACKPOOL'S FAMOUS seafront will receive a facelift under a £2.56m contract awarded by the borough council to Boskalis Westminster Construction, of Bromborough, Merseyside. It involves the restructuring of a 1.3 km mass-concrete wall and sloping blockwork apron near the North Pier.

The overlaying and reinforcement of the existing access road along the top of the sea wall, known as Lower Walk, is included in the contract. During the 130-week project, due to start in the spring, Boskalis expects to drive about 600 tonnes of interlocking steel piles, place 16,500 cu metres of reinforced concrete, drill 33,000 holes for starter bars, and pump 600 tonnes of strengthening grout.

English Industrial Estates Corporation has awarded Boskalis a £453,000 contract to build factory units on the Croft Industrial Estate, Bromborough.

Researching for industry

ECCENTRIC-MASS exciters, moisture meters, a lift availability logger and wind tunnels are some of the systems and equipment recently taxing the talents of research teams at the Building Research Establishment at Garston.

The "exciters" are being employed in a method proved in in-situ tests performed on seven tall buildings to predict a structure's response to wind, earthquake, wave, or traffic induced vibration. The system comprises four exciters, each of which has its own "slave control," driven by a master unit controlling the whole system. The frequency required is clocked from a crystal oscillator and is accurate to one part in 10m.

Primary function of an automatic testing device is to produce an account of when, why and for how long a lift system is not available for use. Called the lift availability logger, this can be used as a diagnostic instrument where the lift has been the subject of user complaints, as a monitoring device that will emit instant warning when repair work is needed, and as a signal of the lift's current location to people waiting to use the lift.

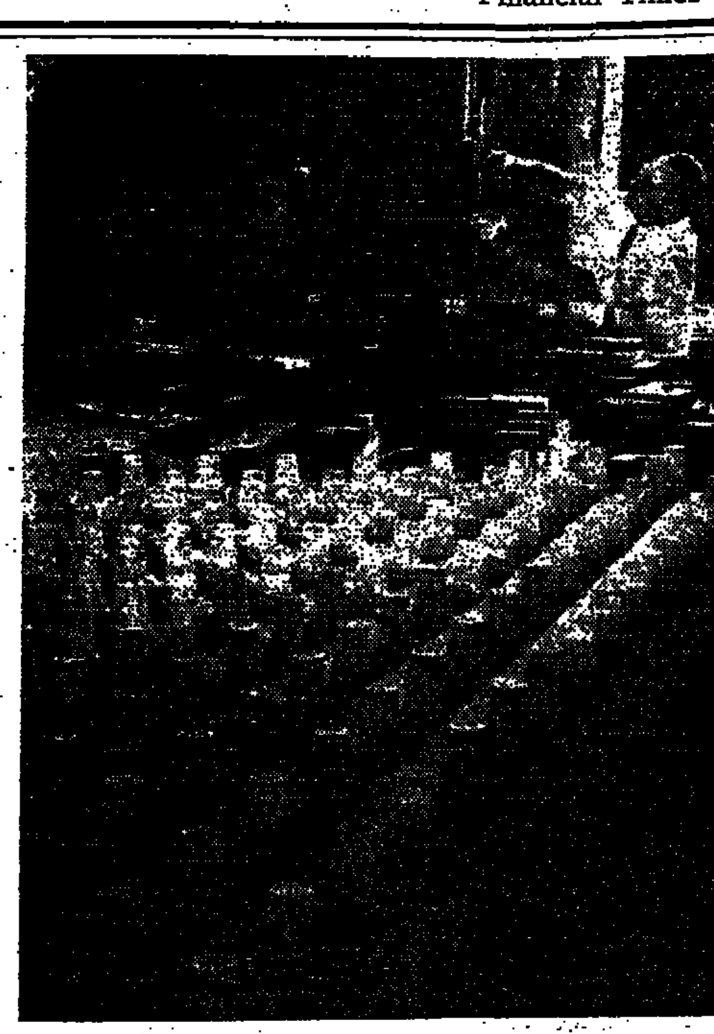
The BRE says it is looking for commercial manufacturers of this equipment as well as for the moisture meter which has been developed with the Cybernetics Department of Reading University for measurement in porous materials.

Portable and battery powered, the moisture meter can be used on site for rapid and accurate measurement of walls and floors.

Research on wind loading at the BRE aims to improve design methods for calculating wind loads to provide more accurate information for use with these methods, in order to minimise "over-design" (which is uneconomical) at the same time avoiding "under-design" (which is unsafe).

A wind tunnel designed specifically for research into the aerodynamics of buildings has been built at Garston. It has a top speed of 22 metres a second, and the results from the model scale studies are combined with—and compared with—data from the full scale surveys and measurements of wind pressure.

The turbulent atmospheric boundary layer appropriate to the environment of a building under test must be simulated accurately and at a convenient scale. This is achieved by the accelerated growth of a natural boundary layer over a rough surface and, the model being tested, complete with pressure transducers, is situated with its neighbouring buildings on a turntable at the end of a 14-metre long, two by one metre high working section.



The BRE's wind tunnel for calculating wind loading.

Aluminium proves a winner

A PUBLIC building in Sweden was about to be roofed with aluminium profiled sheets recently when the manager of the organisation—an energy-conscious man—cancelled the order. In his view aluminium used too much energy in the course of production. Tile roofing was used instead. But the aluminium supplier, Gränges Aluminium, had the last laugh. They were able to prove to the manager that tile production uses five times as much energy as the making of aluminium.

Gränges, a small aluminium company by world standards with a turnover of about £150m a year, specialises in high-value finished aluminium products. Its Korrugal division has concentrated since 1951 upon the development of aluminium sheet as a building material.

Korrugal likes to remind customers that carefully chosen aluminium alloy, properly cast and rolled, results in a sheet which is virtually everlasting and that the paint finish is only for decoration. "But it can only be as good as it is fixed on site" said Ulf Ahman, managing director. The company has started a drive to raise the standard of the erection and fixing of cladding and roofing by opening an international training centre at its Finspang headquarters, Sweden.

In a 1,100 sq metres building—built with Korrugal sheeting, of course—contractors' teams from throughout Europe will attend one-week training courses at the company's expense. They will learn fixing techniques upon two full-size roof and wall units. The centre also has a lecture hall, recreation facilities, and the inevitable sauna.

Korrugal's attention to the careful fixing of its sheeting is impressive. For instance, the tops of hexagon headed fixing screws supplied with the sheeting are chamfered to deter operatives from trying to hammer them in.

Mr. Lionel Turner, managing director of Korrugal's British division, is arranging for parties of contractors' directors, supervisors, and operatives, to travel to the centre by sea ferry.

ROY HODSON

Lighter building blocks

AFTER 12 years of research and development, a cost-efficient system for the mass production of lightweight, load-bearing, 100 mm solid or hollow concrete building blocks has now been perfected, according to Cempol, Solent House, Royal Pier, Southampton (0703 25873).

The key elements in the Cempol system are the addition to the concrete mix of expandable polystyrene bead, supplied by BP Chemicals, and, equally important, an inert chemical bonding agent registered under the name Celastron.

Cempol building blocks are claimed to be the only lightweight 100 mm blocks which meet the current regulations for thermal insulation. Tests carried out at various UK testing stations in accordance with British Standards requirements are said to show that the product complies with BS 2028 1364 (manufacturing), BS 476 Part 7 1971 (a class 1 surface spread of flame); BS 2028 1364 1968 (load-bearing Class A, but density less than 1,500 kg/cubic metre meets class B); and BS 478 Part 8 1972 (three-hour load-bearing fire resistance at 100 mm thickness).

The Cempol block also meets Part F (thermal insulation) and Part G (acoustic insulation) of the 1976 Building Regulations in one 100 mm module and in lighter mixes will meet Part FF (first amendment), the company states.

BP Chemicals claims that the national need to save energy is making Cempol lightweight blocks increasingly cost-competitive, since they allow faster construction and shorter finishing times and also solve the old problems of wet-trade finishing and fixing.

The system can be licensed from Cempol at the company's Southampton offices. It has already been licensed to Lignacite Products, Chichester, and Sage and Down, Bristol.

CONTRACTS AND TENDERS

COOPERATIVE REPUBLIC OF GUYANA
MINISTRY OF AGRICULTURE

INVITATION FOR PREQUALIFICATION OF CONTRACTORS

As part of the Black Bush Frontlands/Block III Small Farms Development Project, the Ministry of Agriculture will receive tenders from prequalified contractors from late June to September 1, 1981 for construction of three irrigation pumping stations and the supply and installation of pumping equipment. Funding of the project is provided by the Inter-American Development Bank (IDB), the International Development Association, the International Fund for Agricultural Development and the U.S. Agency for International Development. IDB guidelines for procurement apply. To prequalify contractors must be established in member countries of the IDB.

Interested contractors must complete and return the Prequalification Application Form to the Ministry of Agriculture no later than April 30, 1981. The form may be obtained, without charge, from either:

Chief Hydraulics Officer or	PRC Engineering Consultants, Inc.
Ministry of Agriculture	P.O. Box 3006
Hydraulics Division	Englewood, Colorado 80155
Fort Street, Kingston	U.S.A.
Georgetown, Guyana S.A.	Phone: (303) 773-3788
Phone: (02) 72469	Telex: (023) 45551
Cable: MINFLAM	Cable: ECIDEN

MAZAGON DOCK LIMITED

Dockyard Road, Bombay 400 010

WISH TO PURCHASE

SECONDHAND TANKER/BULK CARRIER

Of approx. length 166 mtrs breadth 23 mtrs and depth 12.2 to 13.4 mtrs in good working condition. Preferably built not earlier than 1969. Must be classed by Lloyds/ABS/DNV or other reputed classification society for unrestricted ocean services.

Offer should be complete with the following information:

a) Main dimensions
b) Detailed specifications of major equipments fitted
c) Tank capacity
d) Dead weight at full load draft and corresponding displacement
e) General arrangement plan
f) Hydrostatic curves
g) Stability booklet
h) Name of society under which vessel classified
i) Present location of vessel
j) Earliest date by which vessel available
k) Maximum period of warranty for satisfactory performance of vessel indicating clearly terms of warranty

Inspection of vessel (for review of vessel classification record, condition survey and valuation survey) will be carried out by independent inspection agency nominated by buyer. Necessary records to be made available to inspection agency. Vessel to made available for buyer's inspection intimating place of deployment on 7 days' notice.

Quoted price should be fixed and firm until delivery of vessel and be valid for acceptance up to 90 days from tender closing date.

No separate tender papers are available. Quotation in duplicate in sealed cover duly superscribed "Tender Ref. OP/AKD/Tanker due on 6th April 1981" is to reach buyer by 4.4.81 addressed to: DY. GENERAL MANAGER (OFFSHORE PROJECT).

Buyer reserves right to accept or reject any/all bids without assigning any reason whatsoever.

CONTRACTS & TENDERS APPEAR EVERY MONDAY

THE RATE IS £22.50 PER SINGLE COLUMN CENTIMETRE

APPOINTMENTS

Account Executive – Options
Operations Manager

A leading NYSE member firm offers two exceptional vacancies in London for experienced persons.

Account Executive — Options

In addition to being fully experienced in all aspects of U.S. and Canadian securities, experience in listed stock options is required. Ability to act as adviser to accounts and initiate and develop new business is essential. Candidates must have 5 years' options experience, be registered with the NYSE, CBOE and other major exchanges, and be educated to degree standard. Base salary $24,000.

Operations Manager

A minimum of 10 years' operations experience in securities, commodities and Euro-Bonds wtih emphasis on U.S. markets is required. Operations experience must include cashiering, book-keeping, wire and order procedures and be combined with an understanding of U.S. and other regulatory bodies' procedures. Familiarity with the application of basic data processing concepts to the brokerage industry is desirable. In addition to managerial skills, the ideal candidate must be able to take initiative in fast moving situations. Salary $25,000.

Please write with full career details to:
Box ME1234, Financial Times, 10, Cannon Street, EC4P 4BY

LEGAL NOTICES

BANQUE DE CREDIT INTERNATIONAL, GENEVE

EN LIQUIDATION CONCORDATAIRE

Conformément à l'Article 43 de l'Ordonnance du Tribunal Fédéral du 11 avril 1935 concernant la procédure de concordat pour les Banques et les Caisses d'Epargne, les liquidateurs ont dressé un état du patrimoine au 31 décembre 1980 et un rapport sur leurs activités à cette même date. Ils les ont transmis à la Commission des créanciers pour être communiqués à l'autorité de concordat.

Les créanciers pourront en prendre connaissance au Siège principal de la Banque, 15 rue du Jeu-de-l'Arc, 1207 Genève.
Genève, le 4 mars 1981.

Les liquidateurs:
DELOITTE HASKINS & SELLS S.A.
CLAUDE MOREILLON
CHARLES WINTSCH

The following is an unofficial "free" translation of the above official notice

INTERNATIONAL CREDIT BANK GENEVA

IN LIQUIDATION UNDER SCHEME OF ARRANGEMENT

In accordance with article 43 of the Swiss Federal Tribunal Ordinance dated 11th April 1935 regarding the procedure for Schemes of Arrangement for Banks and Savings Banks, the liquidators have drawn up a statement of affairs as at 31st December 1980, and a report of their activities to that date. These have been passed to the Committee of Creditors who will transmit the information to the Court which authorised the Scheme of Arrangement.

Creditors may inspect these documents at the Head Office of the Bank, 15 Rue du Jeu-de-l'Arc, 1207 Geneva.
Geneva, 4th March 1981
The Liquidators,
Deloitte Haskins & Sells, S.A.
Claude Moreillon
Charles Wintsch

COMPANY NOTICES

BRASCAN LIMITED
(Incorporated under the laws of Canada)

NOTICE IS HEREBY GIVEN that the Board of Directors of this Company has declared a quarterly dividend of thirty cents (30 cents) per share (in Canadian fonds) on the Company's Class A, Class B and Class C Convertible Ordinary shares without nominal or par value, payable April 30, 1981 to shareholders of record at the close of business on April 1, 1981. The dividend payable on Class A Convertible Ordinary shares represented by share warrants to bearer will be paid only against surrender of such bearer warrants (with coupons serial Nos. 154/160, both inclusive, with talons attached) in exchange for Bearer International Depositary Receipts issued by Morgan Guaranty Trust Company of New York at Brussels, Belgium in respect of Class C Convertible Ordinary shares of the Company or for registered share certificates of the Company. Bearer Warrants (with coupons serial Nos. 154/160), both inclusive and talons attached) may be surrendered for exchange to:

C I K
59, Rue de Namur
1000 Brussels

or

Morgan Guaranty Trust Company of New York,
35, Avenue des Arts
1040 Brussels.

Dated at Toronto, Canada, the 3rd day of March, 1981.

By Order of the Board.
L. A. ALLEN,
Secretary.

The transfer agents of the Company are National Trust Company, Limited, Toronto, Montreal, Vancouver, Calgary, Winnipeg and Halifax, Canada, and Citibank, N.A., New York N.Y. U.S.A. Changes of address should be notified promptly to National Trust Company, Limited at 21 King Street East, Toronto, Canada M5C 1B3.

N.V. ENGELSCH-HOLLANDSCHE BELEGGINGS TRUST
(English and Dutch Investment Trust)
Established in Amsterdam

NOTICE IS HEREBY GIVEN that an Ordinary General Meeting of Shareholders will be held at the offices of the Company, Sarphatistraat 14a, Amsterdam, on Monday, 23rd March, 1981, at 14.30 hours.

Shareholders who wish to attend the Meeting must deposit their share certificates on or before Monday, 16th March, 1981, with one of the following Depositaries:

In London:
with Hill Samuel & Co. Limited,
45 Beech Street EC2P 2LX

In Amsterdam:
with Hollandse Koopmansbank N.V.
Sarphatistraat 14a 1017 WS

Copies of the Annual Report and Accounts for the year ended 31st December 1980 and of the resolutions to be put before this Meeting, are available at the offices of the above named.

By order of the Board.
HOLLANDSE KOOPMANSBANK N.V.
Management.

Amsterdam.
9th March, 1981.

H. J. HEINZ COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the 3.15% (formerly 4½%) Redeemable Cumulative Preference Shares of this company will be closed from 1st to 29th April, 1981, both dates inclusive.

J. A. ROSS,
Company Secretary.

Hayes Park, Hayes, Middlesex.
5 March 1981

REPUBLIC OF COSTA RICA LOAN

FLOATING RATE BONDS
APRIL 1978-1985 OF USD 1,000

Numerical list of the series including the 1,645 bonds drawn by lot on February 20, 1981 making up with the 575 bonds purchased the entire nominal amount of USD 2,220,000 to be redeemed as at April 10, 1981:

8,422 to 10,066

These bonds will be redeemable at USD 1,000 at FRENCH AMERICAN BANKING CORPORATION in NEW YORK and at the office of the following establishments:

—BANQUE NATIONALE DE PARIS, PARIS
—BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A., LUXEMBOURG
—BANQUE INTERNATIONALE A LUXEMBOURG S.A., LUXEMBOURG
—MERRILL LYNCH INTERNATIONAL BANK LIMITED, LONDRES

Outstanding amount: USD 17,780,000.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Society will be held in the Head Office No. 28 St. Andrew Square, Edinburgh on Thursday, 19th March 1981 at 2.30 p.m. to transact ordinary business.

A Member of the Society entitled to attend and vote at any General Meeting is entitled to appoint another person to attend and vote instead of him. Proxies must be lodged at the Head Office of the Society not less than forty-eight hours before the time for holding the Meeting.

By Order of the Board.
A. M. ROBERTSON.
General Manager.

28 St. Andrew Square.
Edinburgh.

EDUCATIONAL

WANT TO SPEAK FRENCH?—

You can, through a unique four-week programme on the RIVIERA
COMPLETE ALL-DAY IMMERSION ONLY IN FRENCH. Daily 8.30-17.00.
With 2 meals, in small groups. Audio-visual Classes, Language Lab., Practice Sessions, Discussion-Lunch, Excursions, Lodging in a family. For adults. 6 levels: from beginner to advanced II.
Next available course starts March 30, April 29 and all year.
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INSTITUT DE FRANCAIS FTC7
23 Ave. Gal. Leclerc 06230-Villefranche-sur-Mer. Tel: (93) 80.86.51

PERSONAL

OXFORD COLLEGE ANNEXE

with 12th-century timbered hall and 50 single rooms available for business, academic or other purposes. Whole or part July, August September 1981. Extremely modest B/B or Pension terms for approved user. Central Oxford location with large gardens and excellent possibilities.

Write Box G6962, Financial Times, 10 Cannon Street, EC4P 4BY.

Are word processors cost effective?

BY JASON CRISP

WORD-PROCESSORS are not worth the money for most general applications. They only come into their own when they are used for standard letters and long reports where there is a need for substantial revision.

These conclusions, which provide a cautionary tale to any company planning to update its office automation systems, come from a study carried out by the Civil Service's Central Computer and Telecommunications Agency, which has recently examined the cost effectiveness of using word-processors in Government typing pools.

With well over 50 companies now selling word-processors to a small but rapidly expanding market it is no surprise that competition is little short of ferocious. Spurred on by this tough market some companies have been making extravagent claims on the levels of productivity to be gained from their products.

Although prices are falling, word-processors—at upwards of £5,000—still cost around ten times an electric typewriter. And word-processor operators can usually command a premium over the salaries of their colleagues who use electric typewriters.

Productivity

The general conclusion of the CCTA report is that word-processors are not cost effective in most applications although in special types of work, using carefully selected and trained operators, some dramatic gains in productivity can be achieved.

It finds, for instance, that the five most proficient operators of word-processors working on a mixture of standard letters and long reports were able to improve productivity by 50 per cent. In some departments, individuals doubled their productivity when working on long reports.

But for word-processors to be cost effective in civil service typing pools the study finds there would need to be increases in typing output of between 43 and 72 per cent. It points out that there are, of course, non-quantifiable benefits from using word-processors such as the quality of the final product, speed of the turnaround on some types of work, increased job satisfaction and the increased possibilities of using them in communications and other systems.

The report finds that there is no overall advantage in using word-processors for normal "one-off" typing jobs such as letters, memos and minutes except where extra quality is needed.

Considerable gains in productivity can be achieved where there are long reports or manuals which have to be re-drafted several times or where there is a large amount of tabulation. But it depends on the selection of the individuals who will operate the word-processors, how they are trained and how they are introduced to the equipment and managed, the study adds.

Corrections

Age, it appears, is not particularly significant in the adaptability of staff to using word-processors, although the younger are slightly quicker and more confident. The major indication of how well someone will perform on a word-processor is "directly related to their ability to make corrections on a conventional electric typewriter."

Management style, as well as the way in which the word-processors are introduced, also have a significant influence on their effective use. "A firm and positive management style, but one that nevertheless encourages a team spirit, was seen to be particularly effective," it notes.

It finds that their use has led to significant changes in the relationship between supervisor and typists and also authors. The typists need more help and support — not always easy if the supervisor does not have experience of using word-processors — and the authors need to co-operate more with typing staff, it says.

Most of the authors questioned preferred the work prepared on word-processors to conventional typewriters. But on the question of typing errors, the authors are divided as to whether there were more or less errors on work which had been produced on a word-processor.

Finally, job satisfaction is reportedly higher among both the users of word-processors and electric typewriters. But it is even higher for those using word-processors especially those with a video-display screen, as opposed to the single line "thin window" display.

* *Stand-alone Word-processors, Central Computer and Telecommunications Agency, Civil Service Department, Riverwalk House, 157-161, Millbank, London SW1. Free.*

Rupert Cornwell traces the growth of one of Italy's biggest plant engineers since it left its ailing parent

The thrusting growth of a tender plant

"IT'S been a risky business at times and we've stuck our necks out on occasion. Early on we made mistakes and some contracts were costed wrongly. But I think it's worked out now." That, from Lucien Sicouri, managing director of Italimpianti, is by any yardstick a conservative reckoning of the progress made in the decade or so of its life by one of Italy's biggest plant engineering groups. Today Italimpianti is perhaps the most striking example of that select group of companies which have given the country its special niche in the international plant design and contracting industry.

They are one of the few success stories of which Italy's public sector can still boast. Once the massive state corporations seemed to offer a promising new model for economic development, but in Italy at least they have steadily sunk into a morass of debt, inefficiency, and increasingly blatant political meddling.

Contested

Yet, as a Government White Paper pointed out last December, seven of the ten biggest plant engineering concerns in Italy were state-owned, that is they belonged to one of the three giant conglomerates: IRI, ENI, or EFIM. "None of them is in the red, and some are extremely profitable. Moreover, the vast majority of their business is abroad," the document observed. Indeed if one argues that the economic future of Italy will, in good measure, be determined by its ability to move into high technology, process plant contracting is one of the most obvious and crucial sectors.

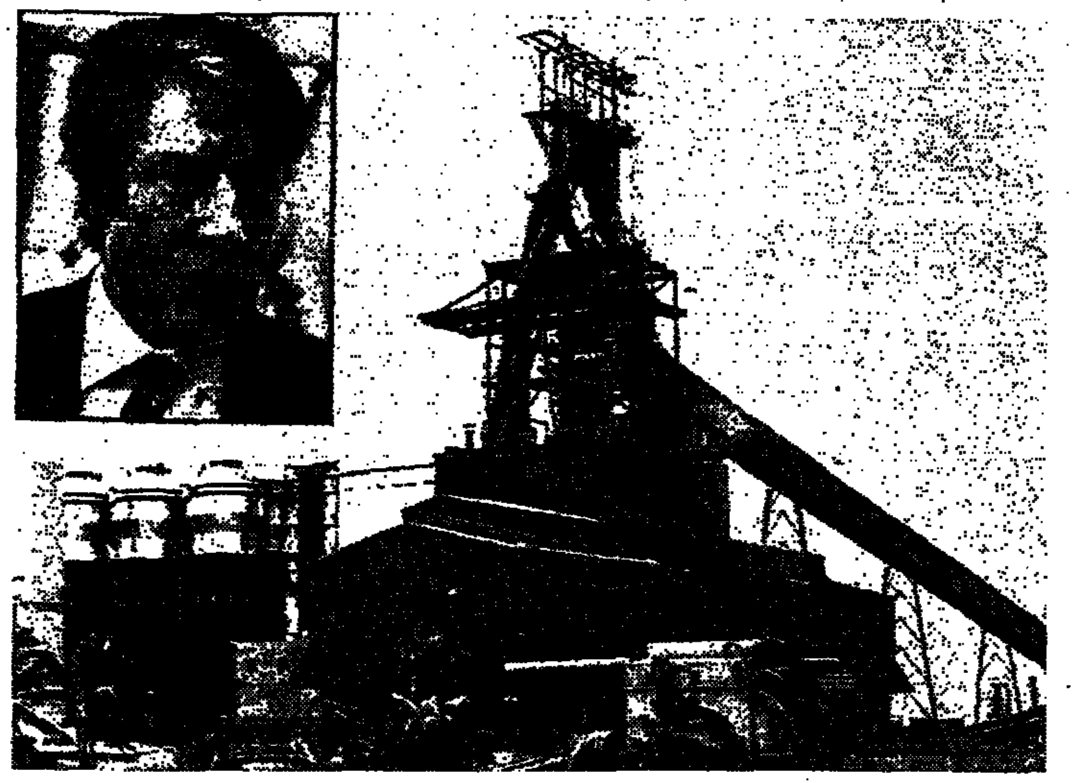
Italimpianti first moved centre stage when in 1977 it won the fiercely contested contract from the then Shah to supply Iran with a $1.3bn steel complex producing 3m tonnes of hot and cold rolled stock every year. The project has survived a revolution, a shift in site from Bandar Abbas on the Gulf to inland, 45 miles from Isfahan, and the bureaucratic vicissitudes of the Italian export credit guarantee system.

That it did so was largely to the credit of Sicouri himself—said to be one of the most able and subtle negotiators within the entire state sector. "My first thought when the new regime began was 'What would I do if I were one of them?'" he says.

The lesson to emerge from Iran is that for any major project to be built in a third world country, a key criterion is whether it is sufficiently justified objectively to survive the sort of political earthquake that happened in Iran. The steel contract evidently was, but one project of that size and risk is enough. Italimpianti is doubly pleased at the medium sized orders it has won recently to balance its portfolio: a $50m blastfurnace for the Seixal works in Portugal, a coal terminal contract in Australia and, most recently, sophisticated furnace equipment orders from France, Saudi Arabia, Canada and Mexico.

These deals which have underlined Italimpianti's ability to make inroads even into markets of major industrialised countries, are the climax of a process which began when Italimpianti was spun off from its original parent Italsider in 1966. The reasons for its swift progress, Sicouri explains, are several: the fact that plant contracting has a natural domestic springboard, thanks to the very rapid expansion of the Italian steel industry (much the same happened in the petrochemical sector, to the benefit of Snamprogetti, the plant specialist that is Italimpianti's equivalent in the stable of the ENI energy group).

Then again the nature of Italimpianti's business meant that it escaped the scourge of other state industries: the need to borrow—at ruinously high interest rates — the money needed for fixed investment programmes. "Our factories consist of very specialised people producing project designs and so on," Sicouri likes to remark. As the company moved into highly competitive export markets, any complacency had to disappear—if there was any in the first place.



Lucian Sicouri, whose company Italimpianti designed Mexico's Sicartsa steelworks

The decision of IRI to hive off Italimpianti probably helped as well. "It was like a child who had lost his family inheritance and then told to go out and earn his own living. For Italimpianti it was a question of survival," Sicouri says.

Since then, while the parent has fallen on even harder times, the offspring has grown lustier and ever more prosperous. In 10 years Italimpianti's annual sales have jumped from just L4bn to L512bn (£220m) in 1979, while its order at the end of 1980 stood at roughly L2,300bn (£966m). Profits have recently average L10bn a year; Italsider in 1980 lost L500bn. Today Italimpianti's 1,800 staff generate work for an estimated 20,000 people in Italy: about 80 per cent of the company's ordering goes to domestic subcontractors.

But the child would also admit that his success was perhaps not entirely selfmade. The sprawling nature of the Italian state corporations may make them unwieldy and inefficient in many respects but the specialist engineering companies are undoubtedly helped by their being able to call on different skills from within the same group and thus offer packages which foreign rivals are pushed to match.

But Italimpianti, Snamprogetti, and their like, also have great strategic importance. Italy has carried further than most other countries the practice of using plant and technology exports to secure oil and other raw materials imports. In this context an example is provided by Tubarao, in Brazil, where Italimpianti and Kawasaki Steel of Japan are minority partners in a project whose capacity could reach 12m tonnes of steel a year. This is not just an enormous export order for Italy, but represents a big part of Brazil's economic development programme, and an important component in the trade of one of the world's most important commodities.

Mundane

The technique of transforming a customer's requirements into a detailed project, and a steady diversification away from an original specialisation in purely steel industry engineering (which still accounts for around 60 per cent of Italimpianti's business) towards other technologies, such as desalination, seem to be the keys to its future development. The fact that steel is in trouble, in Europe at least, causes Sicouri little worry: "This does not mean that no one wants steel; it's a question of where a basic, essential product should be produced."

The underlying issue is the international division of labour, between technologically advanced countries (among them Italy) and the world's natural reservoirs of raw materials. These considerations indeed outweigh the more mundane one of threatened competitivity. Despite Italy's economic problems, and violent currency swings, Sicouri insists that the battle is really over quality and credit arrangements, at least as much as over initial price. He argues that the length of a project's cycle (up to seven years, two or three for development) in any case tends to smooth out differences.

None of this has been lost on Gianni de Michelis, the ambitious Socialist who has been minister for state shareholdings for the past 11 months. His White Paper specifically urges the creation of a new financial holding company to enable a better co-ordination between the plant engineering scattered across IRI, ENI and EFIM. This, in theory anyway, will enable the country to get the most out of a key sector, and increase its effectiveness still further abroad.

Sicouri, however, is dubious. "I'm in favour of closer links and a better pooling of resources where necessary," he says, but wonders whether the new idea is realistic. After all, the engineering companies are doing well. They grew up in the framework of their own groups. "Would ENI really like to lose control of Snamprogetti?" he asks.

Behind the publicly expressed doubts lie the misgivings of a public sector manager who has always insisted on the need for absolute independence from the poltical godfathers who stalk the Italian state enterprises. It is easy to understand apprehensions over any new financial holding company.

An imposed common parent might lead to increased jealousies between specialist companies that have grown up spontaneously in different parts of the state sector. This in turn might lead to greater political divisions and frictions. And when you've got a winning formula, is that really worth the risk?

An industrial 'stateless person'

THE Italian public sector is a broad church, but it is still astonishing to find within it someone like Lucien Sicouri. For the man that Italimpianti, the country's largest plant engineering group, has come to be identified with is not really Italian at all.

Sicouri, born in Egypt of an Italian mother and Moroccan father, educated in Israel and Paris, and reared for 20 years in the French plant processing industry, is now reckoned to be one of the best managers, and beyond doubt one of the best salesmen, anywhere in Italy.

Most paradoxical of all is that a man whose commitment to the principles of unfettered managerial authority and capitalist laws is matched only by his success in operating by their guidelines, should be found in a sector where recent disasters owe much to political meddling and to the fact that social considerations have been allowed to get the better of normal economic criteria.

The explanation though is different. "I like the public sector here. As a manager you do not have a boss above you who may actually own everything. In the private sector in Italy, that distinction is still only coming about."

Interference

There has never been any such confusion at Italimpianti, although that is largely because Sicouri has so insisted. He is helped by the fact that the company has been a success. "We owe no favours. Interference comes when you're in the red and you start asking for extra credits and financing."

Sicouri came to the group in the late 1960s from the French Creusot-Loire steel company. He has been called an industrial 'stateless person' speaking more than half a dozen languages, and of an international background which contrasts with the frequent provincialism of Italian affairs.

Why did he leave France for Italy (whose citizenship he now holds)? "Let's say I no longer felt at ease there for the development of my career. I wanted to stay in Europe, and Italy seemed the most challenging place. The (engineering) industry was just taking off then, it needed salesmen."

LOMBARD

Mr. du Cann's bogus science

BY SAMUEL BRITTAN

WHEN SOMEONE grabs you by the arm and tells you how good, kind, musical, well-read, religious or well-travelled he is, it is wise to be suspicious. People of really great accomplishments usually leave these accomplishments to speak for themselves.

The same applies when people say how scientific they are. The unifying theme of the du Cann Committee Report on Monetary Policy was the need to be scientific. Government policies were criticised for not being formulated and tested in the most rigorous possible way. It was from this high pedestal that the *Medium-Term Financial* Strategy and the monetary approach to inflation were condemned.

Unanimity

The running in all this was clearly made by Dr. Jeremy Bray, who took committee members for a very big ride in persuading them that certain highly tendentious conclusions *represented hard science.* Another Labour Member, Mr. Michael English, tried to get the silly dismissal of the quantity theory of money removed, and several Conservatives put forward other amendments. But in the end the MPs all signed out of a mistaken desire for unanimity. Some of the specialist advisers insisted more bravely on inserting a note that they did not necessarily accept the conclusions.

The Committee's condemnation of the Medium Term Financial Strategy stands or falls by a single calculation and the assumptions behind it. This is that to produce a lasting reduction of 1 per cent in the inflation rate it requires a year's additional unemployment of 2.5 per cent. In other words to reduce inflation from its peak of nearly 23 per cent last year to 13 per cent now should have required 25 per cent additional unemployment over and above the underlying rate which would have been there in any case—or over 30 per cent in all. Either that or the change in the inflation rate is not a lasting one.

The estimates are derived from simulations on the Treasury model. This was designed for the very different purpose of short-term forecasting; and the relationships in it are based on a period when it was assumed that the Government would finance any level of wage settlement that emerged from the negotiating table. It can be no guide to a regime in which it is expected that monetary demand will grow at an even roughly predetermined rate, and that inflationary influences will not be accommodated.

The unemployment cost of reducing inflation arises because it takes time to persuade people that the rate of inflation which they should fear as wage earners and consumers, and which they can count on as sellers, really is falling. Until credibility is achieved, the cost in output and employment can be very heavy indeed.

When the Financial Strategy was announced a year ago, the perceived rate of inflation was over 20 per cent and there was general cynicism about its reduction. In the circumstances, *it is amazing how quickly wage settlements have decelerated* and that unemployment has not risen even further. Yet the Committee concludes from this brief experience that the expectational effect is "not valid" and that the entire reduction in inflation will always be purely a function of unemployment. Hardly scientific.

Alternatives

The tragedy is that the headlines which Mr. du Cann sought will help to undermine any remaining belief that the Cabinet will adhere to any forward numbers, however expressed. Then indeed, the unemployment effect will be all that we have left.

It is also unscientific to evaluate a policy except in relation to some alternative. Only two emerge by implication. One is to accommodate most of any inflationary shock that occurs from oil prices or any other direction. That way lies a glide to Latin American strato-inflation. The other is the hope that in the face of all experience, incomes policy will magically and painlessly reduce inflation.

The committee needs new leadership urgently.

Conspiracy tort could be narrowed by Lords

THE WEEK IN THE COURTS

BY JUSTINIAN

IF THE Times Law Report for last Saturday of *Lonrho Ltd. v. Shell Petroleum Company Ltd.* is to be credited with total accuracy (and why not, since its columns are composed by barristers who are not given to sloppiness in recording fact, even if they are not averse to giving their professional colleagues a little unsolicited, but devoutly hoped-for publicity), 10 counsel (four Queen's Counsel and six junior counsel) were briefed on behalf of Shell and BP to resist the rapacious claims of Mr. Tiny Rowland's much-publicised company, Lonrho, for whom only two counsel appeared.

If the serried ranks of counsel in Lord Denning's court depicted a David-and-Goliath scenario, the litigious confrontation produced no giantkilling results.

On the contrary, the huge international oil conglomerates successfully rebuffed the imperturbable Mr. Rowland who in other contemporary business ventures (whether picking up Fleet Street's prize of our oldest and much respected Sunday newspaper, The Observer, or moving into the saddle of the fashionable world of upper middle class shoppers who frequent Harrods) is fast emulating the trading Goliaths of modern day commerce.

For the time being, however, Mr. Rowland is the upstart underdog trying to prise the *secret dealings of his rivals engaged in supplying* oil to Rhodesia during the years of rebellion and to make them pay him for the losses he incurred by obeying the law. His attempt to extend the scope of the civil *law of conspiracy* to achieve that object was singularly unsuccessful; there remains only the House of Lords which will hear the final appeal on May 5.

The main plank of the claim to damages was based upon the assertion that Shell and BP, through their Southern African associates, had been guilty of plotting to breach the oil sanctions against Rhodesia even before UDI was announced in November, 1965, and of continuing to breach the sanctions thereafter.

It was conceded by Lonrho's valiant, if somewhat quixotic counsel that, while a breach of the Southern Rhodesia (Petroleum) Order, 1965, did not give anyone a right to claim damages, nevertheless a *conspiracy* to break the order did give rise to a civil right of action.

What one person may do to injure his rival with impunity, two persons acting together to do precisely the same thing became, so the argument runs, actionable.

The Court of Appeal resoundingly turned down Lonrho's claim that the sanctions busting conspiracy gave it a claim against the conspirators. The court also demonstrated that there is little utility in the existence of the so-called tort of conspiracy. For a long time English lawyers doubted even whether such a tort existed in English law as a separate civil wrong.

The commission of a known, existing tort (such as trespass to land or negligence in manufacturing goods) in combination with others might well make the acts done more reprehensible, simply because the effect would be more damaging and the victim of the combined operations would, therefore, be entitled to heavier damages.

But that an act which, if done by an individual would be lawful, might become unlawful if done by more than one person acting in combination is hardly a defensible proposition. There is something inherently irrational in treating as an actionabel wrong an agreement to do something which if done by a person on his own initiative is not actionable.

The victim is injured by the one action as by the other; it is only the extent of the damage done that is affected by how many hands are engaged in planning and executing the injurious action.

By the beginning of the second world war, however, it became clear through the decisions of the courts that conspiracy is a separately named tort in English law, which it is possible to define with precision. That much has been frequently endorsed. *Lonrho v. Shell and BP* is the latest example; it also has cured any *residual imprecision and strictly* defined the ambit of the tort of conspiracy.

An actionable conspiracy occurs whenever *two* or more persons combine to injure a third party, with the predominant motive of causing harm to the latter rather than to further the combiners' own legitimate interests, and actually cause injury. The fundamental test of liability is thus the motive of the conspirators, a test which traditionally has no part in English law.

A famous Lord Justice said in a case ein 1881: "I do not know that it has ever been held that the same person for doing the same thing under the same circumstances with the same result is actionable or not actionable according to whether the inward motive was selfish or unselfish for what he did."

The unsatisfactory nature of the tort of conspiracy is made particularly apparent when it is applied to actions taken in industrial disputes where motives are highly complex (often intermingled with political motives) and often are as much a desire to injure the opposition as to further the interests of the combiners.

The courts have left this *conundrum largely unanswered* by relying on the doctrine of predominant motive. But that hardly assists. The question of what is the predominant motive is about as fruitful as asking whether a soldier fires his rifle predominantly to defend his country or to kill the enemy.

The argument in the *Lonrho* case exposes the conundrum. What was the predominate motive of Shell and BP in *sanction-busting? No doubt the* companies did not wish their profitable business of supplying oil to Rhodesia to be thwarted by political squabbles resulting in Rhodesia rebelling and Britain, with UN support, enforcing its sovereign power to end the rebellion by the imposition of sanctions by law.

It may be that those in Shell and BP also wished to support the rebels in their rebellion against the Crown as the best means of ensuring a long-term future for their business in that part of the world.

Doubtless the action of sanction-busting had the effect of injuring their rival who took a different view of his business interests and his political allegiance. But to conclude that injury was Shell and BP's motive, let alone a predominant motive, is too fanciful for words.

Lord Denning was prepared to modify the rule about predominant motive. He thought that a conspiracy to do an unlawful act, when there was no intention to injure and it was not aimed or directed at the injured party, was not actionable. But if there was such an intention, it was actionable.

The intention to injure, however, need not be the predominant motive. It is sufficient if the conspiracy was aimed or directed at the injured party and it could reasonably be foreseen that it might injure the victim and did in fact do so.

Even that wider, and wholly novel test of reasonable foreseeability did not avail Lonrho. The agreement to take oil into Rhodesia via South Africa in defiance of the law imposing sanctions was not done with a view to injuring Lonrho; nor was it aimed or directed at Lonrho.

Although Lord Denning did not appear to state it, presumably Shell and BP could not have reasonably foreseen that their sanction-busting would injure Lonrho. On recent past performance the *House of Lords* is likely to narrow rather than to broaden out the scope of the tort of conspiracy, and the traditional test of predominant motive, however unsatisfactory it might be, will be reaffirmed.

The only act of giant-killing will be the vast costs of this expensive litigation, which has so far failed at every stage to cause a ripple to Shell's *sang-froid.* This will be the third time in the course of the arbitration of Lonrho's dispute with Shell and BP that the case has gone to the House of Lords.

Little Owl question remains

RACING

BY DOMINIC WIGAN

LITTLE OWL was the only Cheltenham prospect on Saturday to acquit himself with any sort of distinction. His victory could hardly have been more bloodless following the early fall of Wayward Lad.

It is a great pity that Wayward Lad, undoubtedly Dickinson's most promising young chaser, was not still in contention over the final fences of Haydock's Timeform Chase for we would have learnt a great deal more about Little Owl's Gold Cup prospects.

All that now can be said is that the question mark over Little Owl still remains for Saturday's victory, his fourth in a row, was another achieved in an event in which he was not severely tested.

Little Owl and Mr. Jim Wilson were never in trouble in jumping until taking the final fence dangerously low. However, it has to be said that it could have been a different story had Wayward Lad and Tommy Carmody been breathing down their necks in the home straight.

An interesting sequel to the race, which saw Little Owl's Gold Cup price remaining at 6-1, was a broadside from Geoff Greetham of Timeform, over the lack of response from trainers to those new and richly endowed races they clamour for and then ignore.

Mr. Greetham particularly attacked the top southern trainers for not supporting the race in which there were only four runners.

He said: "It was always our intention to frame a race to attract the best of the younger steeplechasers and we didn't expect a big field.

"But condition steeplechasers worth £10,000 to the winner can be counted in single figures. It's just the type of race many of the top trainers have been crying out for. Yet they show cavalier indifference when a golden opportunity is provided."

Pointing out that there was not one southern-trained runner and that only one of the eight runners declared at the four-day stage was trained in the south, he said: "The racing world is notoriously slow-moving."

WINDSOR

2.00—Albrizzi**
3.00—Major Knight
3.30—Robin Hood*
4.30—Miss Kuwait***

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.00 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 Mister Men. 2.01 For Schools, Colleges. 3.00 When The Bough Breaks. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2, 11.00 am). 4.20 Secret Squirrel. 4.25 Jackanory. 4.40 Rentaghost. 5.05 John Craven's Newsround. 5.10 Blue Peter.
5.40 News.
5.55 Regional News Magazines and Nationwide.
6.20 Nationwide.
6.55 Triangle.
7.20 Star Trek.
8.10 Panorama "Has the Lady Turned?"
9.00 News.
9.25 The Monday Film.
11.00 Film 81.
11.30 In The Post.
11.55-12.00 News Headlines.

All Regions as BBC1 except as follows:

Cymru/Wales—9.52-10.12 am I Ysgolion: Daearyddiaeth. 1.45-2.01 pm Pila Pala. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.20-8.10 The Walls of Jericho. 11.59 The Sky at Night. 12.29 am News and Weather for Wales.

Scotland—11.00-11.20 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.30 16 Up. 11.55 News and Weather for Scotland.

Northern Ireland — 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News Headlines, News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.00 Focus.
11.00 PlaySchool.
10.25 A Taste of Work.
11.00 Play School.
11.25 Write Away.
2.15 pm Let's Go.
2.30 Multi-Racial Britain.
3.00 Embroidery.
3.30 Wainwrights' Law.
4.15 Work and Leisure.
4.50 Open University.
5.40 King of the Rocket Men.
6.00 Cameo.
6.10 Rock Goes to College.
6.50 Artists in Print.
7.15 Mid-Evening News.
7.20 One Hundred Great Paintings.
7.40 Roots of England.
8.10 Marti Caine.
9.00 Yes Minister.
9.30 Horizon.
10.20 Say It With Baby Grand.
10.50 Newsnight.
11.35 Télé-Journal.

LONDON

9.30 am Schools Programmes. 12.00 Paperplay. 12.10 pm Rainbow. 12.30 Vet. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 The Riordans. 2.30 Monday Matinee: "The Southern Star," starring George Segal and Ursula Andress. 4.15 Dr. Snuggles. 4.20 Graham's Ark. 4.45 Heavens Above. 5.15 Money-Go-Round.
5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Nature Watch.
7.30 Coronation Street.
8.00 World in Action Special: The State of the Nation. (Journalists participating include Malcolm Rutherford, political correspondent of the Financial Times).
9.00 The Sweeney.
10.00 News.
10.30 Lou Grant.
11.30 Rock Stage.
12.25 am Close: Sit Up and Listen with Dr. John Rae.

All IBA Regions as London except at the following times:

ANGLIA

ATV

BORDER

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

Radio Wavelengths

RADIO 1

RADIO 2

RADIO 3

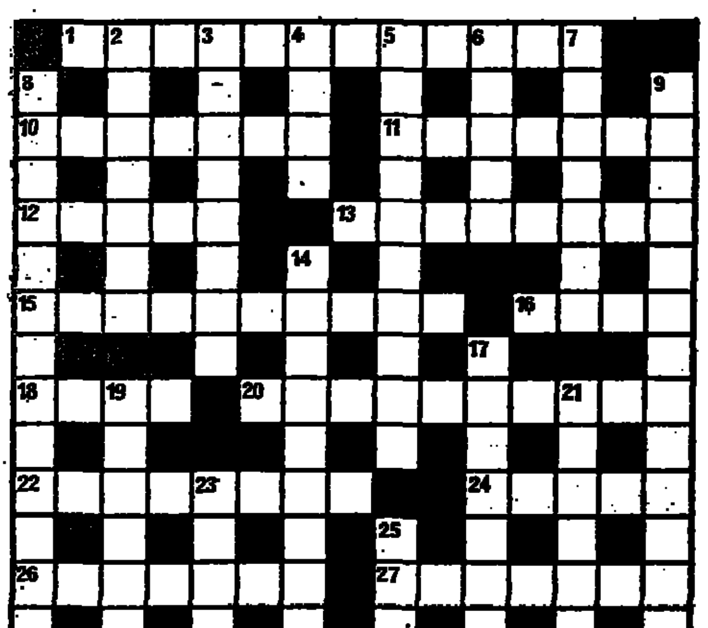
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 4,514



The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

ACROSS

1 Indicate purpose of race (5, 2, 5)
10 Shelter oriental in asylum (7)
11 Mean to say how old one is (7)
12 Top note struck by the others (5)
13 Rich rightly fuss (4, 2-2)
15 Complete suit bagged by golfer (3, 2, 5)
16 Passed on sound of coloured (4)
18 Scarf framed in window (4)
20 Husband every drop of beer given to entrance attendant (4, 6)
23 Last train taken by majority (8)
24 Month one gets a shade...
25 Tragedy to pick artist...
27 Clive Lloyd's bloomer...
28 Look after spout in dependency (12)

DOWN

2 Unusual PG not plodding (3-4)
3 Approaching swell actor's holiday (5, 3)
4 From which to drive to river? (4)
5 Usually no foul if footballer has co-operated (6, 4)
6 Fancy one kind of timber (5)
7 Hot-pot cover (3, 4)
8 Sheriff's officer assisting at operation (7, 6)
9 Champion menaces as a disc jockey (6, 7)
14 Tides up in the small hours to allow a fresh start (5, 5)
17 Deliberate swindle on partisan (8)
19 Figure dearer fare (5, 2)
21 Leading firm at making British...

FINANCIAL TIMES

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THE ARTS

Glasgow Citizens'

Madame Louise

by MICHAEL COVENEY

English farce between Ben Travers and Brian Rix is, except for those who remember sitting through it, an unknown quantity. The odd highlight breaks the landscape — Philip King's *See How They Run!* for instance, one of the funniest plays in the language; the same author's (with Falkland Cary) *Sailor, Beware!* Vernon Sylvaine wrote many such plays, of which *Madame Louise*, originally performed in 1945 by a cast including Alfred Drayton and Robertson Hare, is a splendid generic example.

It is a genuine period piece, both in setting and language. With minimal excuse, Madame Louise has sold off her old-fashioned gown shop to a small-time crook. Her employee of 25 years, Mr. Mould, is retained to keep things going while the crook, Trout, transforms the interior. The potted palms and heavy green velvet are replaced with a glittering chandelier, gathered net curtains, bowls of pink roses, and cream paintwork. This design coup by Geoff Rose is quite amazing. Out goes poor old Mould's laughably inefficient cash-change expediter. How, we wonder, will his plans for introducing an economy dress creation fare?

The three-in-one dress, for morning, afternoon and evening wear, proves a brilliant farcical device. After two misfired demonstrations — and Giles Havergal's production creates a wonderful ura of mannequins in silky underwear — Mould himself has to don the gear when a Mafia-style adversary of Trout bursts on the scene to claim his girl. By this time Mould has been pursued by Trout's bloated wife, abandoned by Penny the shop girl and threatened by the reluctant owner of a defective kettle (I can't go into all that).

The point is that the play, brittle and fast-moving, is wonderfully funny. There are no quotable jokes. But there are such marvellous flights of nonsense as when Mould, measuring Trout for a suit, rattles out the inches and spirals off into a declaration of cribbage points. Finally, he enquires of the client, on which side does he carry his small change, a euphemistic reference to a personal matter crucial when it comes to the fitting of trousers.

Tynan, writing about Drayton and Hare, commented on the one's grossness, the other's gentility. One was belch, the other beg-pardon. That physical contrast is lacking between Peter Jonfield and Patrick Hannaway. But the latter's festering Mould is a dapper, appropriately finical portrayal, light on his feet and much given to tortuously wrinkled facial expressions. Jill Spurrier as a seedy caricature of a gangster's moll is a demonstrative delight. Her performance is typical of the way the production both complements the faded style and boosts it with affectionate invention. The costumes, a treat in themselves, are the work of Colin MacNeil.

BMIC, W.1.

Elisabeth Lutyens

by DAVID MURRAY

The British Music Information Centre enjoys a location in Stratford Place that barely contains its good works—not just its books and scores, but the enterprising recitals that stud its monthly programmes. On Friday it just about accommodated the well-wishers who gathered for the first of two recitals in honour of Elisabeth Lutyens' 75th birthday year. If I were to reveal the date of the second recital it might make the situation impossible.

This first short evening of tributes comprised three Lutyens pieces and a sequence of musical birthday cards from friends and sometimes students. As composers of almost 75 go, they are fated to being honoured by performances of music they can barely remember writing: not so Miss Lutyens, whose *oeuvre* has accumulated at an accelerating rate in the past decade or two—and with undimmed craftsmanship, rigorous and individual. If her largest-scale music is starved of performances, she has enough admirers among serious musicians to encourage a steady flow of chamber works. This time the earliest music we heard was her clarinet-and-piano *Valediction* of 1954, at once taut and limpid (but hardly a valediction—its opus no. is 28, and the latest reported Lutyens music is op. 137!). The members of the young Mühlfeld Trio who played it were joined by their cellist for the excellent Trio which hey commissioned and premièred last year, and Richard Deering—something of a Lutyens specialist—braved the hazards of the BMIC piano with the 1972 *Plenum I*.

The composer Michael Finnissy replaced him at the piano to give quick-study sketches of the birthday pieces, by himself and seven others, beginning with a cheerfully characteristic token from Virgil Thomson. If one studied the mouths of these gift-horses, one would find little to indicate their common stable: what better tribute could a serious composer wish? Several of them, in fact, were more frenetically busy than any Lutyens music—though not Anthony Payne's rather imposing "Miniature Variations on a theme of E.L." nor Robert Saxton's mischievous Toccata. That turned itself into the "Abegg" Variations theme of Schumann, a composer who arouses a quite particular animosity in Miss Lutyens; no tribute to her could be adequate that didn't strike some such combative note.

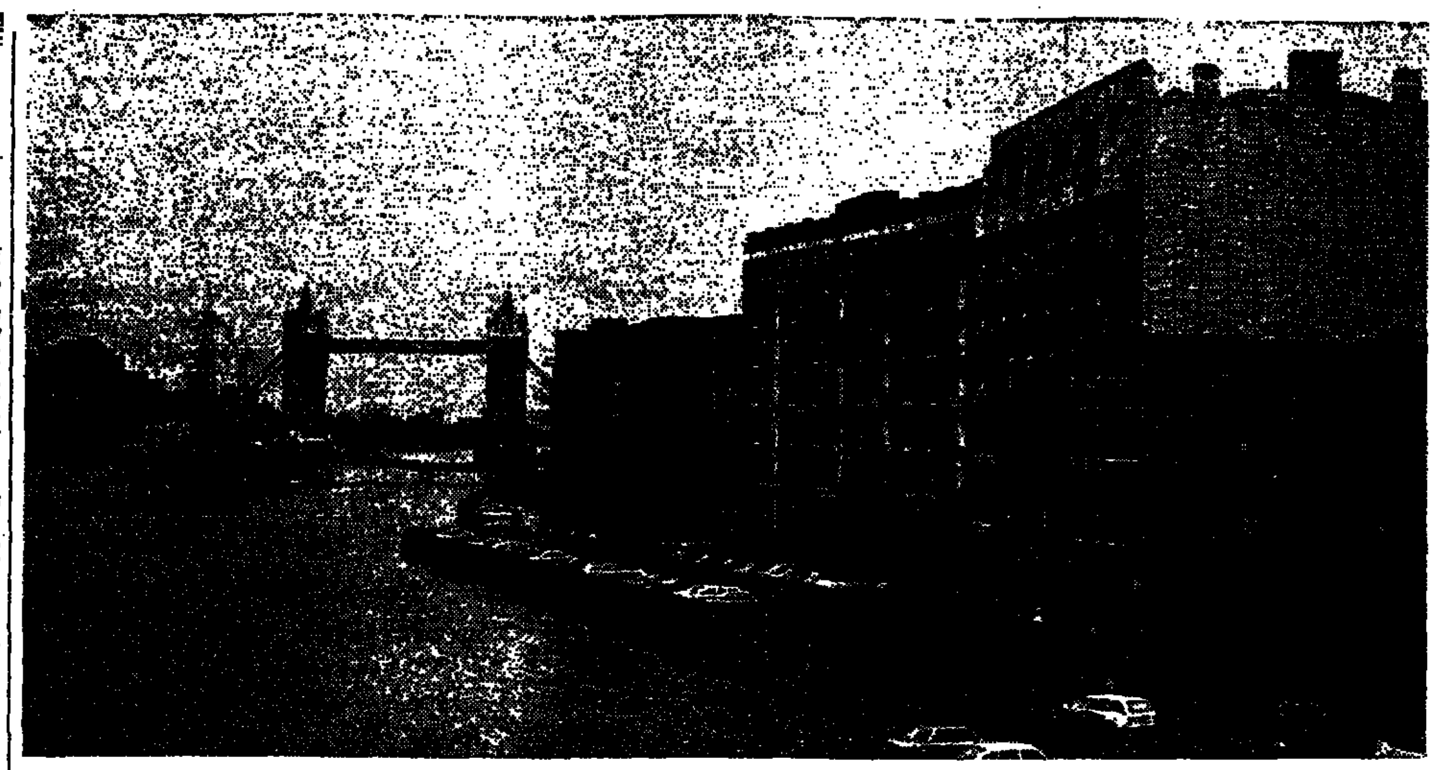
Princess Grace at Goldsmiths' Hall

This evening at Goldsmiths' Hall in the City of London, Princess Grace of Monaco will take part in a special performance of *Theme and Variations*, in the presence of the Prince of Wales, Patron of The Royal Opera.

Theme and Variations is an entertainment on music and musicians and is being performed on this occasion in aid of The Royal Opera House Development Appeal. Also taking part will be actors Richard Denning and John Westbrook and two Covent Garden singers, Thomas Allen (baritone) and Stuart Burrows (tenor).

The Royal Ballet in April

On April 2 the Royal Ballet will present a revival of Robert Helpmann's *Hamlet*, the revival of Fokine's *Les Sylphides*, the pas de deux from Ashton's *Sylvia* and during the month will also present MacMillan's Gloria and Ashton's *Rhapsody*.



Hay's Wharf—the listed building in the foreground will be preserved but offices will dominate the area

Architecture

Too late to save the Thames?

by COLIN AMERY

Can Michael Heseltine succeed where Adolf Hitler and Christopher Wren failed? This week the first of a series of public enquiries begins into the future of major sites along the Thames. Since the Great Fire and the Blitz there has not been such an opportunity for the face of London to be changed. The three public enquiries are concerned with redevelopment sites on the south bank of the Thames. All three sites are highly visible from the north bank of the river and all three will have an architectural impact on London as a whole.

The three crucial spots are: Coin Street, which stretches from behind the National Theatre to the new developments by Blackfriars Bridge; the Effra site which is on the south side of Vauxhall Bridge opposite the "Green Giant" site; and the Hay's Wharf site which runs along the south side of the Thames between London Bridge and Tower Bridge.

The office content of the three sites comes to well over 300,000 square metres, all three sites can be seen from the north banks of the Thames and all three have schemes proposed for them which leave much to be desired.

As far as anyone can tell from architects' perspectives and models the prospects for the new London are not dazzling. Coin Street, which was the subject of a six-month public enquiry last year, belongs to Greycoat Estates and has Richard Rogers as the architect. His new scheme is a great snake of glazed buildings with a covered pedestrian mall running from Waterloo Station to a new footbridge which lands on the north bank near the Temple. Architecturally the Rogers scheme is by far the most imaginative but it trails in its glassy wake visions of acres of empty offices at night.

I can imagine only too clearly the architect's image of a glamorous galleria turning into a tunnel for commuters. The scale of the Rogers' scheme needs to be humanised still further. One point, the area behind the National Theatre, is totally unrelated to what actually happens on that site. Sir Denys Lasdun has proposed a Theatre Square where a combination of new buildings and the existing theatre could create the kind of piazza that is often promised in architects' perspectives but seldom materialises.

Immediately next to the National Theatre IBM's new offices are rising up (designed by Sir Denys Lasdun). It is vital that the spaces between these large buildings are devoted to the public and designed so that they help to continue the effective transformation of the area already started by the National Theatre.

What is missing on the South Bank when you leave any of the halls, or galleries of the cultural ghetto is all the things that surround the theatres and galleries on the North bank—shops, restaurants, flats, and those other services that ease the path through city life.

I do not believe that Londoners or visitors ever want to see another shopping mall on the scale of the Coin Street Galleria—they like streets and squares with their feet on the ground. I know the developers of Coin Street will tell me that their scheme provides all this but it does so in the way that too many other schemes have done by gathering sites together in one huge indigestible lump that bears little relation to the way we actually live in cities.

The two other sites in their way just as important although their architects are more anonymous. The Vauxhall Bridge site is being developed by Arunbridge in association with the Dixon Haryett partnership.

I am afraid that this scheme of offices, flats and several public facilities has no architectural distinction, considering the prominence of the site. Downstream at Hay's Wharf the scheme prepared by Michael Twigg, Brown and Partners is a more mixed development with space for a park and some council housing but it is dominated by the inevitable rate producing offices.

It is clear that Michael Heseltine wakes up in the night worrying about architectural quality and a couple of weeks ago he reiterated what he had said at the Financial Times Industrial Architecture Award lunch in December last year: "I want to try to improve the quality of architecture on important sites in London, particularly on the Thames." Between Battersea and Bermondsey there are almost 50 development projects in the pipeline and there is the whole of Dockland waiting for the new Urban Development Corporation — what an architectural opportunity!

London has unique qualities that can be enhanced or destroyed by new developments. It is still a subtle and delicate city — Heseltine is right when he says that we are not building Haussmann's Paris — but nor do we want London to become another ant-heap of rent collecting office slabs. A new commission with more bureaucratic controls to plan London is not the answer for this development boom — what the Minister needs is fearless aesthetic advice on every new scheme.

Of the three schemes about to be subjected to somewhat fruitless public enquiries only one is half way good enough for London's river. The Minister should not hesitate to send the architects back to their drawing boards. He would do well to remember Capability Brown's words when he looked at the lake at Blenheim and uttered: "Thames, Thames, you will never forgive me."

*

The Queen has awarded this year's Royal Gold Medal for Architecture to Sir Philip Dowson who is the *eminence grise* of the architectural partnership Arup Associates, responsible for many fine university buildings as well as the splendid conversion of the Snape Maltings into a concert hall.

BBC-2/Radio 3

Le Nozze di Figaro

by DAVID MURRAY

It was billed as "The Marriage of Figaro," of course, but sung in the original Italian. In principle English subtitles at the bottom of the television screen make an excellent solution to the problem of original-language opera, but this time the BBC was too stingy with them: when a new character joins an impassioned ensemble, one wants to know at once what he's saying, and too often that wasn't revealed. Even what *was* translated for us must have enlightened *Figaro* lovers more than most programme-synopses do; surely there's room on the screen for as much text as we need.

A distinguished performance was ensured, since for a start we had Karl Böhm conducting and Fischer-Dieskau and Hermann Prey as the Count and Figaro. But we had a strange view of it: a disappointment for anyone who hoped for a documentary record of noted artists singing roles in which they are especially admired, for often they were seen *not* to be singing at all. The producer Jean-Pierre Ponnelle had decided upon a drastic treatment of the sardonic or baffled asides that riddle the dramatic text. In one sense it was naturalistic: we saw silent faces emoting manfully (frequently amateurishly), while on the soundtrack their attached voices expressed their private sentiment. In another and more serious sense the effect was subversive of natural representation (despite real-life settings and much "opening out" of the action, so that hardly a scene was kept to its original locale): within single numbers—Cherubino's "Non so più" most disconcertingly—the singing was sometimes visibly direct, sometimes *only* voice-over. The eventual result was that one never quite believed in a union of image and sound; theatrical immediacy was compromised because the producer's tricks interfered too often.

In detail, Ponnelle's direction of his singing actors was always to the point, and for newcomers it may well have brought the opera to convincing televisual life. Prey and Dieskau were splendid; Kiri te Kanawa's Countess was not flattered by the camera (and her "Dove sono" was rendered in cigarette-advert flashbacks), but there was great spirit in Mirella Freni's Susanna, and Heather Begg's comically subtle Marcellina was far from the routine heavy spinster. The recitatives were unidiomatically deliberate—perhaps because Dr. Böhm (whose tempi were otherwise unexceptionable) now prefers them that way, but more likely because Ponnelle was determined to use them for dramatic filling-out. By Mozart's terms of reference, they loomed disproportionately. The smaller roles were soundly filled; without the distracting face/voice dissonance, I think I might have been more struck by Maria Ewing's interesting Cherubino.

Texaco support for Welsh artists

Texaco have made a contribution of £1,000 to help promote the work of the 56 Group Wales, the only exhibiting group of fully professional artists in the principality.

This will make possible the publication of a catalogue for the 25th anniversary exhibition of the group, at which all 17 artists currently in membership will be represented. It will be held at the National Museum of Wales, Cardiff, from May 2 to 31.

Texaco have on a number of occasions supported the Royal National Eisteddfod of Wales.

Sadler's Wells

The Rite of Spring

by CLEMENT CRISP

An historic moment at the Wells on Friday night when, 68 years after the first rumbustious performance of *Le Sacre du Printemps*, Marie Rambert came on stage at the end of a presentation of *The Rite of Spring*, given by her company in choreography by Richard Alston.

Alston's *Rite* is a ballet of acutely judged scale as well as of skilled choreography. The score is excellently played by Nicholas Carr and Christopher Swithinbank in the composer's piano duet version of 1913, their interpretation stressing clarity in articulation and rhythmic texture. These seem, at a first viewing, the merits of Alston's staging. He sees the piece with Rambertian eyes—Marie Rambert having been Nijinsky's amanuensis in explaining the score's complexities through Dalcroze analysis, as well as appearing in the first performance.

Among the scraps of direct testimony of that original version (which had, in all, only seven showings) are the sketches, hastily scribbled in the dark of the auditorium, by Valentine Gross. Her calligraphic impressions, a few photographs — and, I would hazard, something of the dance manner of Nijinsky's *Les Noces*, since she worked with her brother on *Sacre*—have been a point of reference for Alston.

He has made a virtue of his limited forces: 19 dancers, a small-ish stage, the scaled-down sonorities of the piano-duet score; and he has clearly looked at Stravinsky's first conception of the rite, that ancestral tribal-Russian celebration of the earth cracking open at spring's approach. Thus his dancers are clad in earth-brown, legs gartered—very like the first Rerikh designs—and are placed in a well-conceived setting by Peter Mumford that suggests leather tents, a small and enclosed community.

The progress of the action is that conceived by Stravinsky. Women congregate; men join them; we see the adolescents at a distance, behind a gauze (effective on an initial viewing: less so later). The Sage appears, though his green-blanket outfit is too polite, as is his Charlton-Heston-as-Moses make-up. The Chosen One (the excellent Sally Owen) is isolated, and is held rather too long in the Sage's embrace until she is impelled into her solo, vivid in its explosive little jumps and falls to the ground as the girl nestles into the earth, if lacking something of the emotional weight of inevitability.

The choreographic manner is, like its musical accompaniment, restrained in colour. There are no blazing fortissimos, no mysterious sonorities that seem to echo from prehistory. Alston's relationship with the score is consciously controlled, eschewing that "step-for-note" literalism that was Nijinsky's. Instead, a careful gradation of dynamics, an avoidance of any driving sexual energy in favour of patterns and grouping more like Nijinsky's abstraction of behaviour in *Noces*. And yet, oddly, Nijinsky is there, in poses, attitudes that hint at the Valentine Gross sketches: and Stravinsky's concern with "the secret of our ancestors' close feeling for the earth" is also honourably present. Alston's *Rite* is a notable achievement.

This first programme of the Rambert season—which continues for the next two weeks—also contains Cliff Keuter's *Figures of Wind*. It is, according to its programme note, about ghosts in a setting evoked by images of Carnac's standing stones. Mr. Keuter's revenants, drearily clad, are adept in the dullest received ideas of Contemporary Dance. Their activities are in no wise improved by the implied shock in having them caper and grapple to movements of baroque chamber concerti. The piece is as flatulent and insubstantial as its title suggests.

Mitchell Theatre, Glasgow

Cara Coco

by MICHAEL COVENEY

Against a fractured blow-up of faded girls in school uniform, and to the accompaniment of the anthem "Jesus Make Us Whole Again," the headmistress of St. Nimbus High, Paisley, introduces the subject of tonight's Founder's Day heroine: Pamela Crichton-Capers, taxidermist, aficionado of romantic fiction and sometime spouse of Francis Seneca McDade.

John Byrne's new play is a feminine counterpart to his first success, *Writer's Cramp*. It follows an identical, loose-limbed revue format without recapturing the special magic of the prototype. The writing is, in places, just as good, sharp and often very funny. But the acting trio of the Borderline touring company — Phyllis Logan, Betty Gillin and Juliet Cadzow — do not evince the interlocking, abrasive, quick-change aggression of the *Writer's Cramp* team.

Pamela is not driven by the sort of urgent need for cash suffered by McDade. That need powered the Nitshill bard's correspondence course with the alumni of his own past. So, while the details of Pamela's story are amusing enough—she is discovered in bed writing home to Dymphna (otherwise known as Cara Coco) munching on a banana and wearing knickers stuffed with camphor balls—her progress, parallel to McDade's, through school, Oxford, the war-time Red Cross and post-war Canning Town, is a halting and perfunctory journey.

Director Morag Fullerton keeps the show moving at a good pace, but Phyllis Logan's heroine fails to match McDade for comic richness. The sexist thought occurs, especially in respect of Juliet Cadzow's spirited gallery of tangential minor characters, that Byrne's turn of satirical invective is a peculiarly male phenomenon. An actress would have to be double-strength Eleanor Bron to do justice to the sick exploits of legless Pinky Moncrieff, the fictional hero who sustains Pamela through punting accidents on the Isis, the birth of little Apollinaris, and the foul overtures of Jack Ripper in the Canning Town bolt-hole.

John Bett made something glorious of the progressively drunk Muggeridgean narrator in *Writer's Cramp* whereas, in these link passages, Betty Gillin is too often punching thin air. The author has designed the beautiful silk-screen effect on the blow-up and I suppose that Byrne specialists will take small pleasure at those points where Pam's story echoes McDade's tragic demise. But it may have been a mistake to try and do that in the first place.

The show plays at the Moray House Theatre in Edinburgh this week before moving on to Erskine, Ayr and Inverness.

FOOTBALL by TREVOR BAILEY

Doomed clubs may bounce back

THE TWO clubs to relegated, with Crystal Palace who are already doomed, have no need to be as depressed as sides in their plight were when the Second Division was bursting with quality.

The pair will presumably come from Brighton, Leicester, or Norwich. But as all three are still battling bravely to avoid the drop, teams like Wolves and Sunderland are not yet safe.

Palace could take several years to recover first division status. Their promise, once bright, has disintegrated through off-the-field mis-management and controversial deals. Dario Gradi is their fourth manager this season. Almost half his staff are on the transfer list.

But he two clubs who go down with Palace should bounce straight back. Al that is necessary is to produce a team which plays as well as it does now.

What they must avoid is the obvious temptation to dismantle the existing setup and sell some of their best players. That can only lead to a further loss of confidence and probable disaster.

Clubs who go down are immediately confronted with the financial problems of trying to pay first-division wages despite a big drop in revenue, due to the much smaller return from away fixtures and, probably, at home as well.

Example

On the other hand to rebuild a team completely normally takes about three years. The wise clubs — Liverpool provide the perfect example—are those who acquire new talent which is likely to fit into the existing pattern and dispense with some footballers who have given wonderful service over the years but cannot hope to improve.

It has been far from a vintage year in the Second Division. Indeed I cannot recall a season when the overall standard has been so mundane. West Ham provide the one exception. They are walking away with the title, and could carry off the League Cup as well, if Liverpool should experience a bad afternoon.

The Hammers have benefited from the lack of class opposition in their league, which has allowed them to display their undoubted talent and built a justified belief in themselves.

If they were in the First Division one would expect to find them in the top half. They are a good attractive side, but not a great one. That was substantiated in the European Cup Winners Cup last week, when they were destroped at Upton Park by Dinamo Ibilisi.

No other club in the second division looks to be genuine first division material. Many are really no better than highly competent third division sides existing on similar support. So that it was not surprising to find they had no representative in the 6th round of the F.A. Cup.

Recently watching Chelsea, who were then well placed for promotion, lose 1—0 at home to Watford, it was not possible to imagine them making any impression in the First Division. In contrast there are several teams in the Third Division who would have few difficulties establishing themselves in the present Second Division.

The battle to decide who accompanies West Ham remains very open with probably as many as 10 teams still in with a genuine chance.

Although on record Sheffield Wednesday were the least impressive of the teams to arrive from the Third Division, they have been carefully nurtured by Jackie Charlton, a shrewd, realistic and highly competent manager; and they could make it.

Setback

Grimsby could achieve the rare distinction of moving from the bottom to the top division in three successive seasons.

Despite Saturday's setback, Notts County probably represent the best bet. They will doubtless point out that neighbours, Nottingham Forest, were also not especially impressive until they reached the First Division. But on the other hand County do not have Brian Clough and Peter Taylor to guide them.

RUGBY by PETER ROBBINS

Great sides lose their flair

I HAVE watched two entirely different levels of rugby these past two week-ends. First my own Old Boys team played against a very useful side from Nuneaton O.B. and on Saturday France against Wales in Paris where France won 19-15. The difference was not just in the technical standards of the games; but the fact that the first *was* and the international a match that bore only a passing resemblance to rugby.

Certainly I have seen more violence on the field, as between England and Wales last season. But rarely have I seen so much effort go into negative play, especially by Wales. The irony is that it is these two nations who, over the past decade have played with marvellous flair, should produce such a uniformly dull game. There were some flashes in the second half. But the overall sentiment was one of boredom.

Wales have suppressed their natural instinct to run and because national pride is at stake, have become obsessed by set-piece forward play. It could be easily argued that since at present that is where the strength is, then that approach is quite logical. Richards' brilliant try early in the second half was proof that a more imaginative approach could pay.

I suspect it is largely frustration that leads to violence for Dospital had a rough time against Price and war broke out between him and Wheel. For 40 minutes it was not far short of mob rule.

I was most surprised that the touch judges did not supply Mr. Welsby, the referee, with more information than they did. They have the right to draw the referee's attention to breaches of the law; but perhaps Mr. Welsby was so involved with the struggle to bring the game to order that he scarcely had time to look at the touch judges.

The other area of frustration was the pile-up. The International Board will have to move quickly on this one. It is not the player on the ground who causes the problem so much as the first player to arrive. I would expect the board to legislate that the next player to play the ball after a tackle must be on his feet. That will certainly prevent what is a non-productive and dangerous piece of play.

Wales desperately missed Terry Holmes and Davies, because all the positions that the pack won in the first three-quarters of the game would have been better controlled by these two than by Williams and Pearce.

They showed their inexperience and during Wales' dominant period that inexperience was fatal. It was also deflating for the pack where Martin and Squire had won so much line-out ball and Price's strength at the scrum, backed by Wheel and Martin, gave Wales all the ball they needed.

It was not always well controlled and that was a tribute to the French front row. At the same time Burgess, Evans and Squire had to perform courageous feats of defence around the fringes and this they did exhaustively. Nevertheless the lesson was that possession has to be used, for it is not a permanent acquisition.

Without discounting the first time entirely the match turned France's way in the last quarter of the game when Wales could no longer push France and Joinel began to win the ball at the normal and shortened line-out.

As in Dublin, his load was far too much. Yet he made incredibly light of it. He, like Ibenon in the first half was brought down only a yard from the Welsh line.

But outstanding though Joinel was, it was Rives who was the inspiration of his team. It seemed a noble but futile gesture to run a penalty in front of the Welsh posts with 20 minutes to go.

As the French pack came back with Revallier doing immense work so Berbizier, the scrum half, showed off his skills and brought out more running from Laporte. It was significant also that when Mesny came on for Bertranne, the whole French three-quarter line looked sharper but that was perhaps confidence rather than inhibition. It was that confidence that Gabernet, the full back, and Blanco on the right had in abundance.

The last part of the game had reminded us we were watching a game in France. Now this French team, having won the championship this season, come to Twickenham for the grand slam. England, if they win, will share the championship with France.

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Diplomacy for peace

PRESIDENT REAGAN proposed a surge in U.S. defence spending, largely with military readiness in the Middle East in mind. European governments discussed their need to participate in a Middle Eastern Rapid Deployment Force. The U.S. agrees to deliver some of its most sophisticated weaponry to Saudi Arabia for the defence of its oilfields, agreeing to provide a matching arsenal to Israel.

These dispositions for Middle Eastern war are in sad contrast to the waning efforts to secure the most vital ingredients of peace—an agreement which will define and secure both the state of Israel and the legitimate rights and territory of the Palestinian people.

Camp David

The new U.S. Administration needs such an agreement because it is precisely this issue which offers the Soviet Union a ready-made political foothold in the region. The West needs one because the issue divides it politically from major oil-producing countries and their accumulating wealth. The Arab states need one because the issue is a touchstone for arguments about Islam-versus-social-progress, or the still more futile sectarian squabbles, which now infect so many of them. The Israelis need one because economic failure has eroded the promise of their land and can only be corrected in an atmosphere of security.

Yet the Camp David "process," which seeks to establish a piecemeal approach to Palestinian autonomy and which effectively treats Egypt as the spokesman for Arab and Palestinian aspirations, has been moribund for months.

During this long hiatus it is only the so-called European peace initiative which is keeping the idea of some form of negotiated settlement alive. Dr. Christoph van de Klaauw, the Dutch Foreign Minister and president of the European Council of Foreign Ministers, is engaged in a low-key form of shuttle diplomacy.

He has been visiting Arab nations, and hopes later to be received in Israel, to try to establish whether there is any common ground for a solution to questions implicit in the declaration on the issue made by all EEC members in Venice last June. These are: what should the accepted and guaranteed borders of Israel be? What form should Palestinian self-determination take and within what area? What should the status of Jerusalem be? And how can agreement on all these points be guaranteed in future?

This European initiative is rejected by Israel because the Venice declaration concedes that the Palestinian Liberation Organisation must be associated with the negotiation. Joint European policy is also critical of the Israeli settlements on the West Bank and does not accept Israeli moves to make Jerusalem a United Jewish Capital. The EEC initiative is also unpopular in the U.S., where it is depicted as a European attempt to betray Israel to oil-rich Arabs, cutting across the achievements and future promise of the Camp David process.

The European effort has more to be said for it than that: it is based on the two counter-balancing premises that Israel has a right to secure existence and that Palestinians have a right to self-determination. So long as the Camp David process is in abeyance, there can be little wrong in European countries exploring the steps needed to achieve these two aims.

U.S. disposes

Whatever their findings, at the end of the day the Europeans will have to reconcile them with the U.S., for while Europe may propose, it is quite clearly only the U.S. which can dispose when it comes to persuading Israel to come to the conference table.

Yet neither deference to U.S. influence, nor the forthcoming Israeli election should deter the EEC from its diplomacy. It is little short of absurd that Europe and the U.S. should be talking of ways of co-operating in a Middle Eastern war, if the two sides cannot co-operate in feeling their way towards a negotiated peace.

Framework for business

THE STARTING point for the discussion paper issued last week by the CBI is a burning desire to improve the efficiency and competitiveness of British industry. Many of the recommendations, on such matters as cost control, product development and employee communications, are addressed to companies. The paper rightly puts most of the responsibility for improving industrial relations on the shoulders of management, although it believes that some further changes in the law may be desirable. But it also argues that one of the fundamental reasons for the UK's industrial decline is that "British business has on the whole operated within a framework which was either hostile to or unaware of its needs." On this topic the CBI makes suggestions which go well beyond the decisions on macro-economic policy to be announced by the Government tomorrow.

The CBI wants the Government to give "a clear political lead that business competitiveness should have the highest priority throughout the government machine." It feels that in such fields as technical standards, energy pricing and public purchasing, Whitehall and local authorities are less concerned with helping British firms to compete than their overseas counterparts.

In trade policy, for example, the Government should play a more positive role, both in curbing unfair competition and in promoting British exports. On large overseas projects "loose co-ordination between industry, finance, government and public enterprises often puts us a step behind competitors who can offer a single national bid." This and other passages in the document hint at the need for a "Great Britain Inc." to cope with competition from Japan and other industrial countries. These countries have the advantage of a "broad consensus" about industrial issues which does not exist in the UK.

Strategic

The document recommends a "more purposeful" approach towards industrial investment. It would involve the identification—mainly by companies and sector associations—of growth or "sunrise" industries which would be given special priority by the Government with support for research and development and other forms of assistance. The paper speaks admiringly about Japan, especially "the way in which major strategic decisions are taken about the direction of industrial policy and the speed and effectiveness with which they are pursued."

The danger with this line of argument is that it puts too much emphasis on the role of governments and centralised institutions in making industry competitive and not enough on making markets work properly. The importance of industrial policy in French and Japanese success is probably overstated: Past French attempts at "picking winners" have had mixed results: it is far from certain that the new industrial strategy will be any more successful. In Japan the consensus about the role of industry is important, but the dynamism of Japanese companies owes more to the ferocity of internal competition than to Government intervention.

Debate

This is not to say that governments should not encourage debate about which industries are likely to grow and which to decline, nor that their decisions about, for example, support for research and development should not be influenced by that debate. The CBI paper does stress that government support should underwrite and not override market choices. But it is hard to believe that a consultation process involving trade associations, sector working parties and government departments can identify with any precision sectors and products—let alone companies—where investment is likely to show the highest return.

Outside industrial policy the paper makes some useful suggestions, notably about the imperfections of the labour market; it stresses the obstacles to mobility arising from the lack of rented accommodation, the non-transferability of pensions and other factors. Calls for a reform of the apprenticeship system have been heard before, but perhaps this time the CBI will use its influence to cut through the conservatism which has held up progress for so long. On the financial markets one might have expected more emphasis on the failure of the investing institutions to intervene in badly run companies.

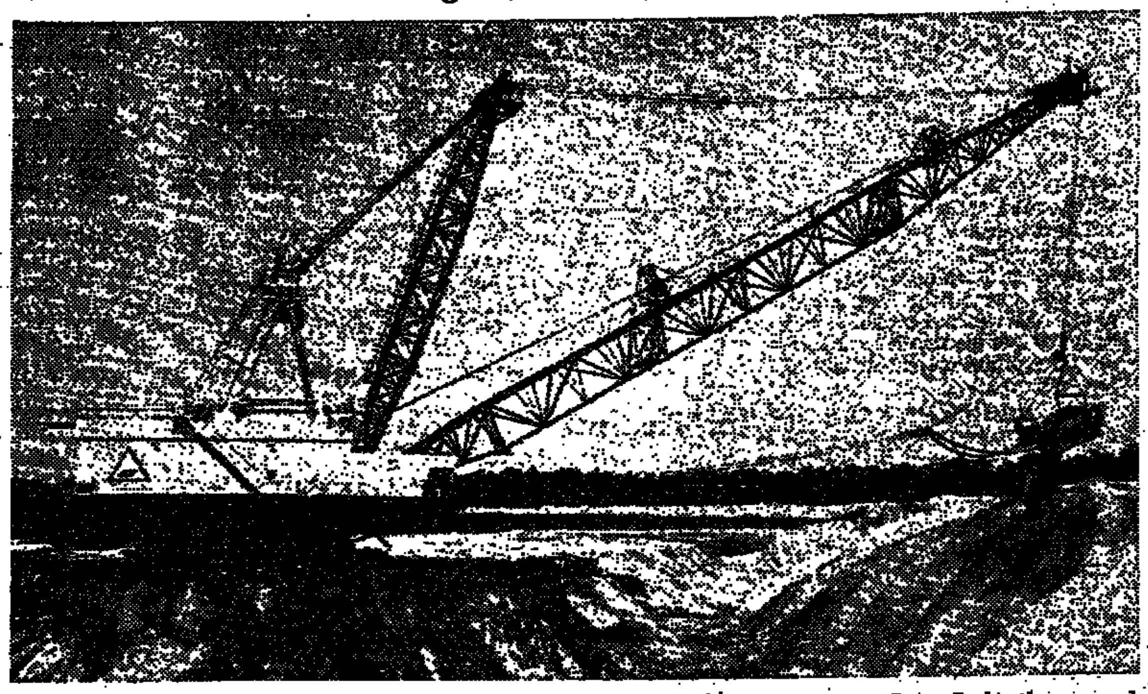
It remains surprising that a document concerned with competitiveness should virtually ignore policies to promote competition. Certainly the Government has a part to play in facilitating the process of redeployment which industry has to go through in the next few years, but competition is the most effective spur to industrial change.

OIL GROUP'S BID FOR AMAX

A perfect fit—for Socal

By Paul Betts in New York

To reduce its dependence on Middle East crude, from Saudi Arabia, Socal, the fourth-largest U.S. oil company, has been developing its U.S. operations and the Chevron brand name. Thwarted three years ago in a bid for AMAX, the third-largest U.S. coal producer, it has now returned with a much more generous offer.



LIKE A spurned lover coming back with an even fatter diamond ring, Standard Oil of California (Socal), the fourth largest U.S. oil company and a member of the "Seven Sisters," has returned after two years to woo AMAX, one of the largest and fastest growing American mining and minerals concerns. But to the dismay of Socal, the directors of AMAX once again rejected the giant oil company's extravagant advances for what would become the most expensive marriage in corporate history.

Tentatively and discreetly, after hush-hush behind-the-scenes matchmaking during the last four months, Socal, which already owns 20 per cent of AMAX, last week offered a package of cash and securities worth between $3.89bn and $4.3bn for the remaining 80 per cent of the diversified mining and natural resources group.

Wall Street and the oil industry in general were astounded by the offer. It puts an overall value of $4.87bn to $5.38bn on AMAX. It provoked frantic activity on the New York Stock Exchange where AMAX shares gained $20 on Friday, while Socal slipped nearly $3 in response to what one broker called "Socal's most generous offer."

That could turn out to be the understatement of the year. But then, U.S. oil companies in recent years have adopted a cavalier approach to takeovers in their attempts to diversify their operations and expand their natural resources base. Bulging with cash as a result of the dramatic rise in crude oil prices, they have preferred to offer mountains of money to secure new assets rather than become embroiled in long, time-consuming and frustrating take-over battles.

Like other major oil companies in the U.S., Socal is now seeking to diversify and expand its operations, both internally and through major acquisitions. For the U.S. oil industry, that process began in the early 1970s. But, following the Arab oil embargo in 1973 and the dramatic rise in OPEC crude oil prices, the large U.S. oil companies were forced rapidly to redirect their policies, to look for new sources of crude and to reorganise hastily their domestic downstream operations.

Socal had good reason to change the character of the company. Of all the major U.S. oil companies, it has traditionally been the most international. It built its fortunes in Saudi Arabia back in the 1930s when it made the first discoveries in the Saudi desert and near Bahrain. Together with Texaco, it brought in Exxon and Mobil to form the partnership which became known as the Arabian American Oil Company (Aramco). With its substantial access to Saudi crude, it spread its exploration efforts in some 40 countries and developed a huge network of service stations in the U.S. and abroad.

It made a pot of money from its upstream operations, and has continued to do so. Indeed, Socal is a rarity these days among international oil companies. It has had a knack for finding new oil and its production exceeds the needs of its refining and marketing network. It is thus a net seller of crude, making money on third party crude oil sales.

But the San Francisco-based oil giant has remained haunted by its dependence on Middle East crude, and for that matter one country—Saudi Arabia. Nearly two-thirds of its daily production, which last year totalled just over 3m barrels a day, still comes from Saudi Arabia.

Moreover, as the Saudis have kept their benchmark price below most other OPEC countries, Socal and the other U.S. partners have had an edge on other international oil companies. But that cost advantage is expected to disappear later this year.

Thus from the early 1970s, Socal began looking to the North American market. It intensified its search for oil and gas in the U.S. and Canada with considerable success. Except for one major error of judgment—it turned down an offer to drill in Alaska's Prudhoe Bay seven years ago—it has made some major discoveries in North America. It is now present in the promising Overthrust Belt in Wyoming, in California's Santa Barbara Channel, in the Tuscaloosa Trend in Louisiana, in Alberta, and more recently in Newfoundland's offshore Hibernia Field.

Under its retiring chairman, Mr. Harold Haynes, it has consolidated its domestic operations, combining them in the Chevron company. It has also been turning increasing attention to alternate energy interests, although in general the company's main thrust has been on looking for new oil. As one official put it: "That's what we are best at."

It is against this background that Socal's generous bid for AMAX should be viewed. As the oil giant decided to diversify in coal and minerals, it bought a 20 per cent stake in AMAX in 1975 for $333m. This was done at the invitation of Mr. Ian MacGregor, now chairman of British Steel, who then headed the Connecticut-based minerals and mining group.

At the time, AMAX, which was formed in 1957 by the merger of American Metal Company, a spin-off of the German metals trader group Metallgesellschaft, and Climax Molybdenum Company, which developed the world's largest so-called "moly" mine in Colorado, was in full expansion. It has continued to expand at a rate which has often provoked worried looks on Wall Street.

In any event, AMAX needed cash in 1975 and the deal with Socal seemed perfect. Subsequently, when Socal made its first bid in 1978 for the remaining 80 per cent of the company, AMAX rejected it flatly. The rebuff was based on anti-trust grounds, although it was unlikely that anti-trust problems would block the deal.

Following the latest offer, AMAX has again said that its best interests would be served by remaining independent. As one company official commented: "It's significant that Socal has come back two years later, offering twice as much money as they did in 1978. That suggests we were right in rejecting the deal then, and perhaps we are right in rejecting it now."

Today, AMAX is the third largest U.S. coal producer and the world's largest supplier of molybdenum, which is used in the production of special steel alloys. It recently acquired a magnesium facility in the U.S. for $60m. It has been expanding its oil and gas interests. With Mitsui of Japan it has a 50 per cent interest in an aluminium venture. It is in copper and nickel, silver and lead, iron, zinc, tungsten, phosphates and potash. By all accounts, AMAX is perhaps the largest diversified mining company in the U.S., with sales last year of $3bn and earnings of $470.4m. Large as these figures may seem, they are dwarfed by Socal's revenues of $42.9bn and earnings of $2.4bn, making it the sixth largest company in the U.S.

Although AMAX has a heavy debt load of more than $1bn as a result of its continuing high level of spending, its broad range of commodity interests has given its considerable stability compared to other large mining concerns with interests concentrated in one specific commodity. All this makes AMAX attractive to companies such as Socal in search of diversification in the natural resources sector.

In many respects, AMAX represents the perfect fit for Socal. AMAX has clearly been aware of this for some time. At present, its directors do not like the prospect of seeing the company absorbed by the giant oil group. Not that relations are bad between the two. Indeed, Mr. Pierre Gousseland, chairman of AMAX, is said to be on extremely friendly terms with Mr. Haynes of Socal. But AMAX has, none the less been worried during the past two years by the prospect of a possible move by Socal. Its acquisition of the Rosario resources company last year was widely seen as an attempt by AMAX to protect it from any unsolicited offer by Socal.

Although the merger could now raise much stronger objections to a Socal takeover than in 1978, the anti-trust problem is unlikely to become a major issue. Already, under the new Reagan Administration, a far more accommodating mood to the whole anti-trust question is emerging. Indeed, in their terse statement last Friday, announcing that they did not support the Socal bid, the AMAX directors did not raise any anti-trust reasons as they did in 1978.

The real issue is what Socal will do next. In 1978, after the AMAX directors rejected its bid, the giant oil company backed down surprisingly quickly, to the annoyance of much of Wall Street. After pondering over the matter for nearly a month, it withdrew to its seemingly isolated corporate world in San Francisco. This time, after the cool response from AMAX to its latest offer, Socal said it would "assess the situation and make a decision."

Despite Socal's aristocratic distaste for unsavoury takeover battles, it seems unlikely that the Californian oil company will drop the matter so lightly again. Significantly, the AMAX directors have not rejected the latest bid outright; they stated only that they would not support it. Although the mining group's directors will ultimately have the last say in the matter, some of AMAX's shareholders, including British Petroleum which through the Selection Trust company holds nearly 6 per cent of AMAX, might think differently. For its part, Socal said its offer was "generous" and was surprised at AMAX's initial reaction. It was surprised, too, because it claimed that its talks with AMAX during the past four months had seemed encouraging.

Moreover, the sheer size of the latest offer indicates that Socal really does mean business. In any event, as one oil industry observer put it, "they will probably wait to see if there is stronger agreement within AMAX to disagree in the bid than has so far emerged." And should Socal eventually drop its bid, the question then would be what the giant oil group does with its 20 per cent holding in the mining and minerals group.

WHERE THE MAJOR OIL COMPANIES STAND NOW

EXXON: Major international coal and oil shale ventures including a $3bn project in Colombia and a proposed $13-16bn Australian shale oil project. Exxon is planning capital expenditure of $11bn this year in a variety of energy fields. In 1979, it bought for $1.2bn the Reliance Electric Company to build a base to develop new energy-saving technology and expand its electronics business.

MOBIL bought Transocean Oil and Gas company last year for $740.1m from Esmark. In 1974 it spent $1.7bn to buy Montgomery Ward and Container Corporation to diversify into retailing and paperboard packaging. In the 1970s it made substantial acquisitions of coal reserves.

TEXACO has not been active in diversification, but is now scrambling to reposition itself, budgeting some $30-40bn in capital expenditure over the next five years and planning to move heavily into synthetic fuels and other alternate energy products.

STANDARD OIL OF INDIANA has been moving into the chemicals and mining business. In 1979 it ingreased this commitment with a $200m acquisition of Cyprus Mines, a copper operator in Arizona.

GULF OIL is planning to spend $120m to form a joint venture with Republic Steel to develop coal properties in Alabama. Gulf owns substantial interests in uranium.

TENNECO last year bought Houston Oil and Minerals for $1.9bn. Interests include insurance, construction and farm machinery, components for cars, shipbuilding and chemicals.

SHELL: Mr. Peter Baxendell, chairman, says the group's geographic and business diversity is one of its strengths. In volume terms the group's oil interests have remained static over the past five years whereas chemical sales have more than doubled and metals sales have risen some 250 per cent.

BRITISH PETROLEUM has been diversifying extensively, particularly into chemicals, coal and minerals businesses. The company expects that its oil interests, now accounting for over 80 per cent of net assets, will represent nearer 50 per cent of assets in 1990.

MEN AND MATTERS

Oakley's acorns

"I believe intensely in free enterprise," says John Oakley, the man appointed this weekend by the National Enterprise Board to manage, develop and eventually return to the private sector its investments in some 10 small companies.

But enterprise sometimes needs foster-parents. And Oakley looks forward with enthusiasm to the prospect of turning the NEB's new £10m subsidiary Grosvenor Development Capital, with the injection of private finance, into a self-supporting holding company that will help rear small concerns with growth potential.

"British industry has long needed something like this," he tells me. "So long as it is allowed to work without political interference, it could do a very useful job. I see great scope for it in industries where people tend to break away and set up on their own to develop technical innovations."

Oakley, now 59, began his industrial career as a 16-year-old trainee in the motor industry. He became general manager and director of the Standard Triumph body factory he set up in Liverpool.

But in 1963 he gave up the job to put his management expertise to purposes he found more fascinating—the rescue and reorganisation of ailing companies.

First in alliance with a couple of merchant banks and later independently, Oakley has turned eight or nine diverse but unprofitable companies into viable and prosperous operations.

He remains chairman of toymakers Berwick Timpo who called him in to save the company in 1969. The company then had a turnover of £800,000. Oakley has transformed it since into a public company with a turnover of £15m and profits of £1.5m. Playing some of the games it produces is a favourite relaxation.

"Do you think their strike pay is index-linked?"

Stress lines

While the Monopolies Commission considers the Lonrho bid, the House of Fraser Board might consider taking some advice from the company's behavioural psychologist, Dr. William Mitchell. One of his medical colleagues was telling me this weekend that Mitchell has fast acquired a reputation for "teaching assertion skills to victims of people poisoning."

Mitchell, who also advises Rank Xerox, has devised a stress-fighting programme to help HoF managers achieve their business goals with minimal wear and tear to themselves. It is now part of the regular management training.

His basic method is to help managers identify stress symptoms—withdrawal, depression and isolation or hyper-activity, aggression and antagonism—and provide a wide repertoire of self-help treatments.

Dr. Peter Nixon, consultant cardiologist at Charing Cross Hospital, testifies to the efficacy of the Mitchell system. "The sort of chap who is suffering from high blood pressure and heart pains because he has been kicked around by a person in power or the company he works for needs to learn relaxation techniques," says Nixon, "but he also has to be taught how to hit back."

Broker's break

The wave of departures from C. T. Bowring, the insurance broker which was taken over by Marsh and McLennan, shows no sign of abating. Now on his way out is John Shipton, head of CTB's UK company no less.

Shipton, aged 48, has been associated with Bowring since 1972 when his insurance broking interests were acquired by the group. "As the managing director of the business, I felt then that we needed to be in with someone bigger," he says.

Now he feels that the pendulum has swung too far the other way. The larger organisations become more hidebound with administration, he feels, and could lose their entrepreneurial qualities.

"I have the highest regard for Marsh and McLennan," Shipton tells me. But he wants to work for smaller units in the Lloyd's community which, he believes, have more appeal to clients.

"I do not intend to imitate Tony Greig or Kerry Packer," he stresses, explaining that he will not be poaching Bowring-Marsh clients. While deciding future plans, he will keep an eye on his family's underwriting interests, J. K. Shipton, which have remained independent of the Bowring group.

Design work

Sir Philip Dowson, who has been awarded this year's Royal Gold Medal for Architecture, has done as much as anyone to set the standards for a civilised working environment in our factories and offices.

The Royal Institute of British Architects' citation speaks of his "deep concern for the needs of those who use his buildings"—incredibly shared by so few of his profession, but evident in his own work since he designed his first factory at Hemel Hempstead back in 1953.

Sir Philip's work for IBM at Havant, which brought him an FT award and, for the CEGB at Bristol has established new professional landmarks. The Lloyd's building now being erected in the City should underline his reputation.

It is perhaps in the industrial field that Sir Philip's strong beliefs in collaboration between architects and allied professions have been most effectively put into practice.

But the landscape is impressed with many examples of his personal sense of harmony—the Maltings at Snape and major additions to colleges at Oxford and Cambridge among them. And as a founding partner of Arup Associates, he still enjoys the variety of work that enables him to turn from designing a swimming pool for Eton College to car parks and shops in Riyadh.

Snap shot

Australia's Prime Minister Malcolm Fraser is following Denis Healey's profitable example by combining photography with his politics.

Fraser, who rarely travels abroad these days without a Nikon dangling from his neck, is to join professional cameramen in a 24-hour exercise aimed at capturing "A Day in the Life of Australia" for a coffee-table compendium.

The Sydney Morning Herald has already published a set of Fraser photos taken in India, Zambia and the Gilbert Islands. His basic technique: "I operate on the fact that if you take enough photographs, one or two of them will be worth keeping," he says.

Observer

FINANCIAL TIMES SURVEY

Monday March 9 1981

Corporate Finance

The corporate sector has survived nearly a year of severe recession in surprisingly good shape. This is partly because of accumulated financial strength and partly because of stock disinvestment and cutting of excess capacity. But there is a big question mark over the current year's performance.

Brutal process of slimming

By Barry Riley

WHILE THE public sector agonises over "cuts" which are largely if not wholly fictitious—Government consumption has still been rising in real terms over the past year—the company sector is undergoing a slimming process which does not always make the headlines but which is truly brutal in its proportions.

Some of the statistics are well enough known—unemployment rising towards the 2.5m mark, a fall in industrial production of 13½ per cent in the final quarter of 1980 compared with the corresponding period of 1979. Less generally recognised is the process by which companies—most of them, anyway—have avoided a financial squeeze as dire as many forecasters expected a year or so ago.

It was quite widely predicted that in 1980 the financial deficit of the industrial and commercial company sector would shoot up well beyond the 1979 level (now put, after several revisions, at just under £4bn). Figures of £8bn to £10bn were commonly talked about. This would have implied distress borrowing by companies on a scale which would have threatened widespread collapses.

There have indeed been company failures, but not yet on an epidemic scale. In corporate finance terms the impressive point has been the sheer flexibility of companies in adjusting to inhospitable conditions. By last September the company sector was showing a deficit of just £1.7bn for nine months, so although the Central Statistical Office has revised earlier still more favourable estimates, it appears that the sector deficit for 1980 will turn out to be lower rather than higher in 1979.

There are inevitable limitations in sector-wide statistics. The figures include, for instance, North Sea oil operations, which have probably been starting to move into surplus. The position must be far less promising in manufacturing, which is most directly exposed to the recession and to the erosion of competitiveness caused by the strength of sterling.

Certainly profits have been under serious pressure. Gross UK trading profits in the July-September quarter were about 15 per cent down on the corresponding figure a year earlier, and though stock appreciation—the inflationary increase in stock values—was also sharply lower, retained profits were nearly halved.

Inevitably companies have been forced to cut back their spending. This has not been so much in the area of capital equipment—though in real terms this has stopped growing and the forward projections are poor—as in stocks, where massive cutbacks were in progress throughout 1980. In volume terms, these reductions exceeded £2bn.

At the same time closures of loss-making operations have often produced a net cash inflow from the rundown of associated working capital, despite the burden of redundancy and other costs. In some cases, too, healthy subsidiaries have been sold off by overgeared groups.

British industry is shrinking to stay solvent. In many cases the axe is also falling on dividends, which until last year were regarded as almost untouchable—in the usually vain hope that the rights issue route to degearing might be opened up. Even ICI has trimmed its dividend.

Nevertheless the demands by companies on the banks have still been large enough to contribute vigorously to the shattering of the Government's monetary targets. Recently companies have been borrowing about £2bn a quarter gross from the banks (though it is possible to argue that this is no more than the total of interest payments being debited). In net terms, however, borrowing has slowed recently.

Gearing

Fortunately, most companies entered the current recession with only moderate levels of gearing. According to stockbrokers Phillips and Drew, large industrial companies at the beginning of 1980 only relied on net borrowings for about 18 per cent of their capital employed, much less than the 26 per cent reached in both 1971 and 1974.

Nevertheless high levels of interest rates for an extended period have led to problems with income gearing, and of course the averages anyway disguise problems in the worst hit sectors. In the most exposed industries there are often also serious doubts about the quality of balance sheet asset values.

In these troubled industrial conditions the banks have been under severe political pressure to be patient—especially since their own profits have been boosted so strongly by high interest rates, and they have been threatened by a special retrospective tax. There has been much talk of an industrial "lifeboat" steered by the Bank of England on something of the lines of the financial lifeboat which it launched in response to the 1974 secondary banking crisis.

The Bank, however, tends to play down its role. It argues that it has not so much been trying to prevent bankruptcies like Dunbee - Combex - Marx, Fodens or Airfix when these have become inevitable but rather to help sort out problems when large numbers of different banks are involved with individual companies, as is the modern pattern.

In such circumstances—the most spectacular example so far has been Massey-Ferguson—some banks with better security or smaller exposure than most may be tempted to cut and run, thus bringing the house of cards tumbling down.

So the banks are stuck with their troubled customers. And the latter are stuck with their banks, for British industry has received a harsh reminder over the past year or so that the stock market—normally a useful source of long-term capital—is very much a fair weather friend.

The new issue market has been moderately active over the past year, with issues of various types of company securities reaching £1.1bn in 1980 according to Midland Bank statistics. This was significantly higher than in the previous couple of years.

LIQUIDITY RATIOS*

(Survey by the Department of Industry)

	Manufacturing companies	Non-manufacturing companies
1978 1st quarter	123	145
2nd "	120	177
3rd "	106	172
4th "	112	150
1979 1st quarter	90	122
2nd "	98	121
3rd "	87	107
4th "	65	101
1980 1st quarter	61	83
2nd "	55	109
3rd "	56	92

* Total current assets as a percentage of total current liabilities, seasonally adjusted.

But very little of this money has gone to the troubled sectors of industry. Battered manufacturing companies have by and large been valued at very low market capitalisations by the equity market, making it impossible for them to raise worthwhile sums through rights issues—even if they could contemplate paying dividends on the increased capital.

In the way of these things, it has been the companies which do not need the money very much which have found it easy to raise large sums. Property companies and mining finance houses, often with only the vaguest plans for future investment, have been some of the most prominent companies calling on shareholders for new capital.

Lucrative

Speculative oil companies — often from the wilder fringes of North America—have found London a lucrative source of funds. Some rather more tangible small UK companies have been encouraged to tap the new unlisted securities market—a major recent development for the Stock Exchange, though one that so far is too small to have much relevance in economic terms.

A revival in the flow of convertible loan stocks from the likes of RTZ, London Merchant Securities, and Arthur Bell has been a notable feature of the past few months. But straight bonds have continued, as for most of the past ten years, to be crowded out by the torrent of Government gilt-edged issues.

One or two foreign sovereign borrowers have bravely tried to re-open the so-called "bulldog" bond market, and at times there have been hopes that a corporate borrower might only be just around the corner. But bond yields will probably have to sink to under 12 per cent to attract any response from finance directors.

There is, moreover, the standing problem that so long as interest rates are expected to fall, companies will always be tempted to wait in the hope of more favourable terms a little later on.

The Treasury and the Bank of England would dearly love to be able to bring about a revival of the corporate bond market. One reason for the persistent overshoot of the money supply in recent years has been the intermediation by the banking system in the long-term finance of companies.

Yet the precondition for such a revival has always been a reduction in the Government's own appetite for funds, and once again in the current financial year hopes have been disappointed with the public sector borrowing requirement likely to turn out at £13bn or more instead of the £8.5bn forecast last spring.

If the rate of Government fund-raising does in fact in due course moderate, the company sector will have a better chance of sharing in the £10bn or more of funds that are now flowing annually into the coffers of the big investment institutions (though the big funds can nowadays easily invest abroad if they do not like the returns on offer in the UK stock market).

For companies, a dramatic improvement in profitability is obviously required before they can attract large sums from investors. In the next few weeks and months companies will be reporting their results for year ending December or March, and the picture is bound to be dismal. There is hope, however that by the second half of 1981 a sharply different pattern could be emerging.

By then companies will be enjoying the cost reduction benefits of the severe surgery they have been undergoing. Their results should also be less crippled by the exceptional rationalisation costs which have been an almost universal problem during 1980. If capacity utilisation, too, begins to improve, this could add up to three reasons for a sharp leap in profit levels.

If so, manufacturing companies may be once again in a position to start thinking of serious alternatives to the banks as sources of long-term capital. If not, they will have to sit back and watch foreigners taking the lion's share of the recovery in industrial demand when the destocking phase comes to an end.

CONTENTS

CORPORATE FINANCE II

Among the City institutions the merchant banks have long occupied a special niche. They are going through an active period, with good profits growth, as their traditional involvement in new issues, portfolio management and other business has been joined by international ventures.

Merchant banks flourishing

THE CITY of London is one of the few parts of Britain which has been doing rather well for itself lately, and its merchant banks are enjoying a period of substantial prosperity. There were some highly encouraging interim statements from the leading houses, and stockbroker Simon and Coates says the underlying profits growth reflected in the current crop of full-year results will probably average over 20 per cent.

The main source of the profits increase is the expansion seen in basic credit business. Last November, sterling deposit and lending showed respective year-on-year increases of 32 and 38 per cent. That pace is, however, unlikely to be sustained this year when the post-corset reintermediation period has ended, and the banks will probably have to trim their spreads.

The demand for corporate credit is also likely to ease—if only because companies have already taken on board as much debt as their balance sheets will bear.

The balance sheets of the merchant banks can be presumed in good shape. Only presumed, because they are still privileged to keep concealed inner reserves; the published figures are as inscrutable as ever.

But while renting out money may be less profitable in the immediate future, the merchant banks are well cushioned by their fee-earning business. Last year's annual reports would typically describe increases here as "useful" — in most cases, work was running at record levels. While the proportion of fees to other income varies between houses, it accounts for perhaps a quarter of profits across the board.

There has been a significant increase in corporate finance opportunities, with 1980 rights issues 30 per cent up on the previous year. Of the £1.054bn total, three major issues — RTZ, ConsGold and Land Securities — accounted for £400m.

Implications

For the banks, if not their clients, the rights issues omens are good for this year. The implication of current high borrowings and low profits is that pressure will grow in the current year on companies to come to the market for new equity to bolster up the balance sheet—though with less of the high hopes and brave faces that have accompanied such fund-raising exercises in the past.

There are also a goodly number of flotations to be underwritten. Sonic Sound Audio and New Darien are recent examples, overshadowed in their turn by the £150m offer by British Aerospace. The BAe underwriting was spread between Kleinworth Benson, Hill Samuel, Morgan Grenfell and Schroder Wagg—though in the event the shares were comfortably oversubscribed.

An interesting new area for corporate finance work has come with the birth of the Unlisted Securities Market. As yet, few of the companies have been helped to USM quotes by merchant banks; the work has usually been done by stockbrokers and other non-bank issuing houses. It may be that the merchant banks are biding their time before pitching into USM work—or more likely that they are not very interested. The capital raised is much smaller on the USM, and the work proportionately more labour-intensive. A pool, the banks may well feel, best left to others' scooping.

The toes have gone only a little more quickly into that other stretch of water opened up in recent times—the international possibilities afforded by a decontrolled currency.

Morgan Grenfell made the international capital markets that little bit more complicated with its discovery on behalf of Scandinavian Bank last May of the Eurosterling floating rate note. A month earlier, S. G. Warburg advised U.S. insurance group Marsh and McLennan on the first take-over of a UK company with foreign shares. The quarry, C. T. Bowring, took a lot of stalking; and the problems were not over even when it was trussed. The "Bearer Depositary Receipts"—tithes of Marsh equity designed to appeal to the British taste for "lighter", that is cheaper, shares — were not cleared for capital gains tax purposes, and not until February was a deal sorted out to pay UK dividends in sterling.

Among the banks themselves, much has changed over the past year. Whatever it is that actually does happen when the Accepting Houses Committee gets round a table, the result has been the black balling of Antony Gibbs since its takeover by Hongkong and Shanghai Banking Corporation; and the all-clear for Robert Fleming; prompted by the 1979 Banking Act to extend out of fund management into mainstream banking activities.

Singer and Friedlander, shed by Bowring after the takeover—the AHC demands British ownership—has found a berth with Euroferries; Keyser Ullmann once claimed by then-chairman Edward du Cann to be the City's largest merchant bank, has found its way down to a comfortable niche as a newly-acquired part of Charterhouse.

Surprise

As the banks jostled for starting positions for the new decade, so did the bankers. A major surprise was the departure from Merrill Lynch International in London of John Craven and David Montagu. MLI's anxiety to beef up its City presence was evidenced by earlier overtures to that favourite merger partner Hill Samuel. Craven and Montagu were men of blue-chip City repute, and quite a catch for MLI. The manner of their going, immediately after Christmas, invited the inference that the freewheeling banking style of the London entrepreneur cannot be contained within the streamlined U.S. corporate structure with its stringent head office reporting requirements. The duo was succeeded by internal appointees.

Over at Hill Samuel, out went retiring chairman Lord Keith, up moved deputy Sir Robert Clark. But the significant appointment was that of 39-year-old Christopher Castleman to the group chief executive's job. Mr. Castleman, formerly the group's MD in South Africa, is set to succeed Clark in the next few years.

Mr. Castleman's express elevation coincided with the exit of fellow director David Macdonald to the chief executive's job at Antony Gibbs, where Sir Philip de Zulueta ascended to a non-executive chairmanship after the Hongkong takeover.

Hill Samuel sorted itself out fairly peacefully. Less smooth the shuffle at Samuel Montagu, the Midland Bank's accepting house subsidiary, as chief executive Philip Shelbourne left for the British National Oil Corporation. While two Montagu men, John Gillum and David Stevens, might well have been expected to provide the successor, Midland felt differently and was prepared to ruffle a few feathers in the process. Sweden's Staffan Gadd was furnished by headhunter Russell Reynolds, and he has since begun the expansion of the bank's international activities, with a particular eye for Scandinavian connections.

Difficulties

Nor was the union of Charterhouse and Japhet and Keyser Ullmann—effectively achieved, though with legal formalities outstanding — without its internal difficulties. Keyser's 68-year-old ex-Barclay's chairman Derek Wilde was put in temporary charge of the merged entity. Over the winter, Charterhouse men Malcolm Ellis and John Turnbull left as it became clear that the search for the new boss was taking place outside the bank. The final choice was Chemical Bank's John Hyde, found once more, it is thought, by Russell Reynolds.

A schism of greater long-term significance came in the Rothschild family. Tension had apparently developed between the traditionalist N. M. Rothschild and Sons, the accepting house under brother Evelyn's wing, and Rothschild Investment Trust, a more dynamic vehicle steered by brother Jacob. In September, the break was made. The trust was re-named RIT. Jacob resigned from the board of family holding company Rothschilds Continuation, and RIT agreed to sell its Continuation stake. RIT, part-owned by Saul Steinberg's Reliance Group, is now building on to its leasing arm a fast-growing factoring business.

One technical change which has made life simpler, if not always easier in the banking community has been the classification of institutions under the 1979 Banking Act, with only the first-rank allowed to call themselves "banks." While in theory the classification reflects the type rather than the standing of the institution, those on the less flattering side of the line are none too happy—and it is not only the loan sharks, but some large, well respected firms which are so affected.

As one licensed deposit-taker put it, "We are a merchant bank *really*, we just aren't allowed to say so. ... But it wouldn't do any harm if you described us as a bank, you know, just in passing."

Robert Cottrell and Jeremy Stone

To help companies over financial hurdles the Bank of England is acting as intermediary in bringing together lenders and borrowers with the aim of reaching agreement on continued support.

Bank of England's guiding hand

THE UNHERALDED collapse of Burmah Oil that memorable New Year's Eve in 1974 led to the creation of an early warning system in the Bank of England. The Governor did not intend to be caught again so unprepared for industry's problems.

The Economic Intelligence Group within the Bank, under Lord Benson, set out to be the Bank's ear on industry and encouraged companies to approach it when problems were still no more than looming and not after they had overtaken them. A year ago, a special division—the Industrial Finance Division—was split off from the intelligence group to concentrate on industry's financing structures and needs.

At present, however, the longer term studies are being squeezed out by what some watchers call "fire fighting" but the Bank sees more as "fire prevention." The Governor has admitted that a substantial part of his officials' time these days is spent talking to companies with problems and arranging meetings with their bankers to see if it would help to rearrange the companies' financing.

In the main the approaches to the bank are made by a company's merchant bank advisers after they have approached the lead bankers and discovered some degree of reluctance to maintain or increase support, or some fear that lesser creditors might want to pull out leaving the main funders with an extra burden they might be reluctant to shoulder.

If such initial conflicts of interest surface the Bank will agree to chair a meeting of all the bankers in the hope of extracting some form of agreement to at least temporary continuance of support while a major financial investigation is carried out.

The Bank insists that its role in all of this is purely passive. The decision on whether temporary support is feasible is left entirely to the commercial instincts of the lenders. The bank, however, is not averse to "knocking heads together" during the meeting, or leaning gently on a rogue bank which is threatening to jeopardise by unilateral action a scheme agreed to by the majority.

Decision

What determines the decision and the agreement, the Bank reiterates, is the lenders' view of the company's medium-term future. If it has good prospects of "dry land" beyond the soggy patch it has got into; if it is well managed; if its financial difficulties arise from technical aspects of its funding, the banks would want to support it. The Bank merely supplies the opportunity and lead for concerted action.

Sometimes—and this sort of move is also becoming more frequent—the Bank might take the lead in identifying a problem company or problems within a sector and may seek out the bankers to see if it has already been spotted.

The role of the Bank's eight regional offices as early warning signallers in this exercise is particularly vital.

The crisis in industry, the Bank admits, is deep and painful. It is increasingly busy identifying company problems and providing forums for lenders to reach agreement on whether support would be effective.

But this is entirely different —*it insists—from the role it* played in 1974 and 1975 when the foundations of the banking structure were rocked by collapses in the property and consumer credit sectors.

At that time the Bank took action by:

- ● calling the main lenders together and instructing them to maintain support of certain companies;
- ● establishing a fund of rescue money—since called the "lifeboat"—extracted from each bank according to its resources and given to each castaway according to its needs;
- ● approaching the long-term financial institutions to support companies and shares wherever possible.

All this it did because the banking system was in crisis. This time round it is not a banking problem but an industrial one and the solutions are different.

Instructions

Although some commentators, including Mr. Clive Jenkins, the powerful leader of the ASTMS union, have claimed that the institutions have received instructions from the Bank there seems to be no evidence for this.

There are more grounds for suspecting that banking forces have rallied to a Bank bugle call. Barclays Bank's action over Norvic, the trouble-hit shoe manufacturer, was an apparent case in point. Norvic announced that Barclays had refused it £750,000 of extra finance. Within days Barclays had publicly reversed its decision.

The struggles by Stone-Platt, Weir Group, Massey Ferguson and Duport—to name but a few of the more recent cases in the spotlight—also suggest a degree of central, sometimes *international*, co-ordination of bank lenders.

But the appearance is illusory, all the participants claim. The banks confirm the Bank of England's insistence that all decisions are being taken on commercial grounds.

Matters might get worse of course. But the scale of the problems encountered so far—or even those now being prepared *for—is said to be entirely* manageable within the banks' normal lending strategies.

The Bank of England has come under pressure, however, for going even as far as it has. It has, for instance, been accused of contravening the Government's policy of keeping tight control over money supply by encouraging increased lending from the banks. Its reply to that is simple—and in a real sense reassuring. The sums involved are too small to have any impact on money-supply, it says.

Alternatively, it is accused of undermining the tough discipline the Government is seeking to impose on industry. At the same time as Government is saying, severely, "those who cannot finance themselves must go to the wall," the Bank is propping up the halt and the lame which would otherwise have collapsed.

Again the Bank denies this. Decisions on whether to maintain or restructure financial loans are being made on commercial ground alone. Companies injured in the industrial recession may apply for first aid, but the chronically *unhealthy will be turned away.*

The Bank, then, is maintaining a passive support function. Even this, however, has at least one major positive effect on the banks. It creates a climate in which they will strive if at all possible to find a package to support a company through its temporary problems.

This kind of attitude, if not openly directed by the Bank, is clearly being endorsed by it. And it ill-behoves a financial institution to run contrary.

Christine Moir

Higher costs and higher interest rates have sharply squeezed profits and the authorities seriously underestimated the corporate sector's need for funds. Banks have been slow to use technical breaches to call in their loans.

Bank lending begins to fall

FOR MUCH of the last two years the demand for credit of the UK private sector has seemed unquenchable. It remained for many months the single greatest obstacle to the swift achievement of the Government's policy objective of money supply control. The City has been as optimistic as the Government in its estimates of the course that credit demand would take; as long ago as the summer of 1979 the investing institutions were greedily gobbling up long bonds on the plausible assumption that the economy was about to weaken sharply and that bank lending would fall away. In fact it is only in the last few months that there has been any significant decline in the underlying demand for advances.

What the market and the Government failed to grasp was the severity of the squeeze on corporate profits. Raising interest rates to unprecedented levels may discourage the personal sector from unnecessary borrowing, and it may make industrialists postpone investment plans. But if the bulk of industry's demand for funds is involuntary a high price for credit does nothing but increase the agony.

Higher costs have been a major source of the profits squeeze. Wages did not respond until later than many economists thought possible, and the public sector monopolies have raised prices with incontinent haste. No one but a monopoly would dare raise prices in a slump to make up for deficient volume, but when it does, its customers can do very little about it.

Insofar as companies have been unable to reduce their debt, the higher interest rates themselves have been a major source of higher costs. And although it is impossible to judge how much of sterling's strength is the result of portfolio shifts associated with the UK's possession of North Sea oil, high interest rates have certainly increased the upward pressure on the pound which has put margins in industries which export or which compete with imported goods under such pressure.

The attempts by companies to reduce their stocks in order to get their borrowings down resulted in a self-feeding spiral of lower demand, since one man's destocking brings lower orders for his suppliers. Recent CBI surveys — 15 months after the Government's raising of Minimum Lending Rate to 17 per cent triggered the attempt to cut stocks all round — suggest that many businesses still consider themselves overstocked.

In mid-1980 demand for many manufactured products was falling so swiftly that it was almost impossible to shed stocks at all. The cuts in output have meant that many businesses have been unable to recover fixed overheads. Inevitably, reliance on an unusually high level of bank debt has continued.

Shortfall

Companies have naturally enough been trying to cut debtors as well as stocks in order to reduce their overall working capital, and there seems to have been a general shrinking of trade credit in many areas of industry. The banks have had to make up the shortfall.

The stock market's expectations of a sudden—and early—fall in credit demand were to some extent influenced by the experience of 1975, when for several months the private sector was a net repayer of bank debt. But the parallel was inexact for several reasons.

The sharp recovery in corporate cash flow in early 1975 was very largely related to the emergency stock relief provisions rushed through Parliament in late 1974, which freed companies from the tax burden associated with the inflation in their stock values. This effectively stopped large parts of industry going bust—the danger that the 400-point slide in the FT 30-Share Index to a low of 146 had been signalling for the previous two years.

It also coincided with a widening of trading margins, and since the stock market rose almost vertically from its low point, many companies were able to recapitalise themselves by issuing new shares the proceeds from which went to repay bank debt.

This time round there has been nothing to compare with the introduction of stock relief, and there is no real sign yet of a widening of trading margins—indeed, with sterling continuing to climb on its trade-weighted basis in early 1981, there has probably been a further deterioration for some sectors. And although the equity market has been quite strong taken as a whole, the shares of the manufacturing companies that most need relief have been very weak, and it might have been difficult for their managements to put out an attractive prospectus along with their demand for cash. The rights money raised last year went to the likes of mining finance houses and overseas earners. No companies are yet prepared to float long bonds at present rates of interest.

The banks' difficulties in handling the demand for credit were compounded by the Bank of England's supplementary special deposit scheme, the so-called "corset" control which penalised banks for excessive balance sheet growth. This had been imposed in 1978 as a sop to the gilt-edged market, which had been worried about the growth of bank credit and was bribed by the introduction of the corset to accept the issue of Government bonds at a lower price than might otherwise have been the case.

Unfortunately the corset turned out to be quite useless at achieving its purpose, since banks were able to shift a good deal of excess lending off their balance sheets by such devices as placing commercial bills with non-banks and channelling credit through the offshore sterling market. When the corset was at last taken off there was an explosion in money supply growth as this more or less illicit borrowing came back into the official figures.

Breaches

However, tiresome though the corset may have been, the banks and their customers have had more important things to worry about. Some companies—whether through misguided strategy or acute trading problems—have seen their bank loans reach intolerable proportions, and it has become depressingly frequent for loan agreements to be breached.

The banks as a whole have been slow in using technical breaches as an excuse to call in their loans; indeed, they have shown unusual patience. This is partly because the very high banking profits of the last couple of years, which have owed a lot to the high level of interest rates and therefore the large margins the banks enjoy on lending current account funds, leave the banks open to criticism if they are seen to desert their customers too precipitately.

This position is re-inforced by the Bank of England, which has been twisting arms, politely at first, behind the scenes. The Bank is concerned to prevent a company from being destroyed simply because one of perhaps many creditor banks decides to break ranks, and it has been active in calling meetings of bankers to discuss the affairs of individual companies. The Bank is also in a good position to make sure in general that lenders take the long view. This has not prevented some public companies, and very many private ones, from being put into receivership, but in most cases this has happened later than might have been expected.

The recession is now far enough advanced for the bank lending problem to be subsiding, and there is general agreement that the UK private sector's underlying demand for bank credit has halved since last spring to perhaps £450m a month. But if the corporate bond market remains closed, it is more or less certain that the problem will crop up again in much the same way in the next business cycle.

Martin Taylor

Until recently, the idea of a dividend cut was taboo. But this attitude has changed as companies have realised that survival depends on tight cash management from now on.

Dividend cuts gain ground

IN THE London equity market a fearful disease, believed for some years to have been more or less eradicated, has suddenly become epidemic. Companies which had suffered from it in the past—sometimes, it could be argued, as a result of their own carelessness—had been treated almost as lepers by the financial community, and therefore it could be expected that most managements would take all possible hygienic precautions against infection. So complacent had investors become that some fund managers may have failed to innoculate their portfolios against the side-effects.

The disease in question is dividend cutting and, in its chronic form, dividend omission. The collapse of corporate profits in 1980 has swept away the unwritten rules under which a dividend had more or less become a fixed charge, and after pioneering work by some large and highly respected companies, boards of directors now feel free to set the dividend at an appropriate level.

Years of dividend controls, during the most recent period of which companies were allowed to increase their payout by 10 per cent per annum in normal circumstances, had left the dividend structure ossified. Nearly every company paid its regular 10 per cent increase; in the case of weak companies, the investing institutions were ready to put pressure on management to make sure that it did the right thing by shareholders, even if that meant paying out of reserves.

The result was that the capital markets became distorted, as dividend decisions parted company with trading reality. In a sense the events of the past year have seen a return to sanity, as the unsustainably high "safe" yields on problem companies have been stripped away.

Companies have of course plenty of reason to hold their dividends in difficult years—apart from corporate self-respect and the need to appease powerful shareholders. The share price action—and the disaffection of investors—after a dividend cut can leave the company open to an unwelcome takeover bid. For example, Dunlop's determination to continue holding its payout through years of adversity must owe a good deal to its fears of a bid from Malaysia.

Temporary

No management would cut a dividend in response to what it saw as a temporary dip in earnings. But for many of the companies which have succumbed in 1980-81 the "temporary" dip took place earlier. Even in previous years, particularly when looked at on a current cost accounting (CCA) basis, they had been overdistributing. A further downturn in trading left them with no real choice.

When a company's survival depends on tight cash management, accounting write-downs of equity as a result of closures and disposals are one thing, but cash dividends impose a genuine strain. In addition, a company which runs out of earnings in the UK but persists in paying out dividends has an irrecoverable advance corporation tax liability. In effect it ends up paying the gross rather than the net dividend.

This tax clawback, which hits directly at the corporate purse, is a healthy check on over-distribution by those companies which are able, ostrich-like, to pretend that their inadequate CCA return reflects the application of academic rules and is in some way unrelated to events in the real world. It can be argued that the dividend crisis of 1980 has its roots in the ease with which the inflationary 1970s allowed companies to overdistribute effortlessly.

Rising historic cost profits have given altogether exaggerated ideas of the underlying strength of a business and as distributable revenue reserves have formed an increasing proportion of shareholders' funds, it has not been painful to dip into them in times of difficulty. Companies have been able to distribute what are in effect stock profits — a recipe for illiquidity and disaster unless the business is actually shrinking.

If a business really is shrinking, then it tends to release cash, and a degree of over-distribution — as the company is in effect being partially liquidated to be given back to its shareholders — is justified, although the tax system, in regarding dividends as income even when they might really be repayment of capital, is hostile to this procedure. Not many corporate managements, though, are enlightened enough to admit either that they are shrinking the business (and ought to be as a matter of policy) or that their excessive dividends have been the clearest proof of it.

Recycled

Even those managements which did do this consciously—Courtaulds is perhaps the most obvious example—have given up this year and cut or, in Courtaulds' own case, passed their dividends. In theory the funds released by a mature company's large payouts to shareholders should be recycled through the capital markets to growing enterprises. There has been precious little evidence of this recently, and a large company in difficulties can be forgiven for taking the view that it can do better things with its cash than fund managers can.

Unpleasant though 1980 was — for managers of income funds as well as for manufacturing industry — it must be good for the markets in the long run to be reminded that equities represent risk capital and that dividends can go down as well as up. Some cuts last year — notably the interim dividend reduction by Guest Keen and Nettlefolds (GKN), which had great influence on undecided managements elsewhere — caught the market very much on the wrong foot. By now, though, although the coming results season may spring some nasty surprises, most reductions are well-discounted, and earlier this year the market had even begun to signal—quite rightly, as it has turned out—the unthinkable: that ICI's dividend was in danger.

In such cases investors are re-assessing not just one critical payout, but the value of the whole future income stream of a company. Many companies which pay uncovered dividends this year may be reluctant to raise their rate of payout rapidly when times improve. And there is no solid reason to believe that a company which cuts its dividend is going to restore the historic payout before long. The dividend cut is a signal that the game has changed entirely.

Yet for all the distress in manufacturing sectors—shares like GKN and Metal Box were at one stage recently around half their 1980 highs—the All-Share Index has gone serenely on. Manufacturing industry represents a shrinking part of the UK equity market's capitalisation, and in other sectors (oils, financial, mining finance, overseas traders) dividend growth has continued at a reasonable rate. Falling inflation will naturally lead to a slower rate of nominal growth all round, and the once-and-for-all boost to many dividends in 1979 when controls were removed argues for more sedate increases in future.

Until an economic upturn arrives, maintained dividends by manufacturing companies will continue to rank as good news. The best news of all, in stock market terms, is solid (1½ times or more) current cost dividend cover. This is increasingly viewed as the best sort of security available. From this point of view at least the stock market believes in CCA even if the Inland Revenue does not.

Martin Taylor

Industry has shown considerable resilience and ingenuity in coping with one of the worst recessions for many years. RICHARD LAMBERT, Financial Editor, has talked to the finance directors of three of Britain's leading companies, who give their views below.

Concentrating on the cash flow

BICC: MICHAEL JULIEN

Discipline based on cash levy

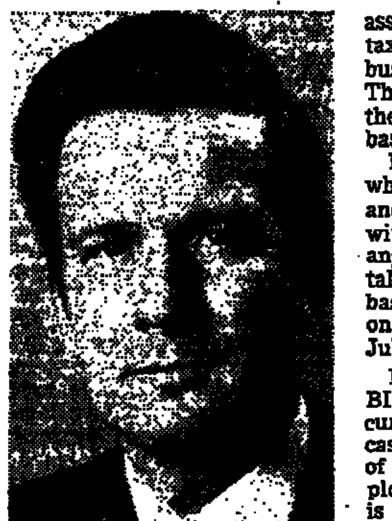
ON PAPER BICC might look a prime victim of Britain's industrial slump. Cable and wire manufacture accounts for two-fifths of its sales, and non-ferrous metals and special alloys for another fifth. It is also heavily involved in the construction business. The UK accounts for nearly half its sales, and its overseas activities are heavily slanted towards the Commonwealth.

Despite this unpromising blend, BICC's financial performance has improved steadily since the mid-1970s. Between 1975 and 1979 its return on average assets employed rose 14 to 23 per cent, and a marked improvement in its working capital ratios helped to cut gross borrowings from the equivalent of 51 per cent of total stockholders' funds to 35 per cent. *Although some of its businesses* have been having a rough time since last summer it is still likely that the group will report *higher profits for the year.*

It is not a coincidence that at the end of 1976 BICC appointed its first finance director, Mr. Michael Julien. Up to that time, the main role of the finance department had been to serve up information to management: it was not expected to initiate action, or take steps to see that management decisions were implemented.

Mr. Julien's arrival has given the finance department a voice on the Board, and one which lays great emphasis on the need for financial management within a company, as opposed to pure accounting skills. "The people who are successful are those who have moved out of the recording role into that of appraisal and decision-making," he says.

The major task was to establish financial objectives which actually meant something to a group of BICC's size (its sales now exceed £1bn) and traditions. The first two years were terrible, according to Mr. Julien, mainly because of the difficulty in finding enough finance people who knew how to appraise investment decisions. The finance department now has a wide mix of disciplines, with much more emphasis on engineering and business school training than the traditional accounting background.



Mr. Michael Julien

The financial disciplines which have now been established place a heavy emphasis on cash. The group does look at other measures, such as trading margins or return on capital (where the objective for an established business is a return at least 10 per cent above the rate of inflation on an historic cost basis). But these are regarded as crude measures, and not all that helpful for a spread of business which ranges from heavy engineering to construction.

BICC wanted to find a way of passing down to managers at the sharp end of the line the importance of generating cash from their businesses. It wanted to tell its companies how much cash they were expected to pass back to the centre each year —"if only to let them know when they are winning."

So the group devised what it calls a cash levy system, which it can adjust to take some account of the different needs of its activities. BICC is divided into four main divisions, which are assessed for the levy in various ways.

In the case of the overseas companies, which have to take account of minority shareholders' interests, BICC decided to base its objectives on the proportion of the UK dividend (and associated advance corporation tax) which it wanted its foreign businesses to cover each year. This calculation is based on their share of capital employed, based on current values.

Next comes Balfour Beatty, which is the construction group and so largely a cash business without much need to finance any great slabs of working capital. In this case, the levy is based strictly on profits: the only way to do it, says Mr. Julien is just to press for more.

Finally, BICC Cables and BICC Industrial Products are currently expected to generate cash equivalent to 10 per cent of their historic cost capital employed each year. This target is adjusted to allow for special items, such as lumpy capital spending or violent movements in commodity prices.

It has taken time for this innovation to work its way down the line. According to Mr. Julien, however, line managements' awarenes of its responsibility for working capital is far greater than it used to be.

Cash is also the main yardstick for new investments, whether in fixed assets or acquisitions. Both are measured on the basis of discounted cash flow. The hurdle rate for new investments generally is an after-tax return 15 per cent higher than the estimated cost of capital. In the UK, on BICC's reckoning, that currently means a new project must be expected to make a return of about 30 per cent on its after-tax cash flows, taking inflation into account.

Admittedly, its capital spending — at roughly £85m a year — has been running well behind the inflation adjusted depreciation charge as reported in recent years. But BICC has come to the view that it is not sensible to provide for inflation-adjusted depreciation on a straight line basis, since that means penalising profits with the cost of new plant without allowing for the compensating benefits of efficiency which would flow from modern equipment. So it is switching to a declining balance method, which will make its current cost figures look rather more flattering in the future.

BICC's financial managers have had a measure of luck in recent years, in that the copper price has fallen in real terms. And the group's acceptances of new disciplines has not been painless. 'In particular, there have been many closures and redundancies on the cables side.

Yet the group is now self-financing, and has been for a couple of years.

TUBE INVESTMENTS: MICHAEL GARNER

Stringent system of allocating resources

SHARE PRICES tell a story. When Mr. M. F. Garner left Amalgamated Metal to become finance director of Tube Investments in 1979 it was clear that TI was not the stock market's favourite engineering group. The shares had been underperforming the sector more or less since the rights issue in 1977—the second in the space of two years.

It seemed that the City had taken the view that the purpose of the rights issues had been simply to correct the financial ratios of existing activities. TI was sucking in money during a period of high inflation—its peak return on capital employed in recent years was no more than 16 per cent—and growth areas seemed few and far between.

It was clear that the group could not contemplate yet another rights issue until it could show some more positive achievements. At the same time it wanted to create financial headroom in order to be able to expand in new areas. For some time the Board had taken the view that the group was too dependent on the UK, and had been looking for markets where it could take a significant role in a world context. As with so many other European companies it was beginning to look longingly for U.S. acquisitions.

So chairman Sir Brian Kellett reported in his annual statement last March that TI was making plans "for directing resources into those business areas with expansion potential, examining critically those subject to fierce import competition or diminished overseas potential and withdrawing and redeploying resources from some which are not central to the group's strategies."

The first task for Mr. Garner, who took on the planning as well as the financial function, was to examine the way that the group allocated its resources. TI is split into over 100 separate operating companies, each with a considerable degree of autonomy. The centre had tended to respond rather passively to requests for funds from the subsidilaries. TI has now established a system of viability testing, essentially a form of CCA budgeting with especial emphasis on cash generation. There are two tests, one related to working capital and the other to longer term fixed asset needs. Companies that fail the first have to present a convincing case for being allowed to continue in their existing shape.

Those that pass then face more subjective tests to decide whether they should be permitted to maintain or expand their operations in real terms.

In addition, TI has imposed a new system of cash controls on its operating companies. The group had experimented with cash limits in the past but failed to make them bite—probably because the system had been too complicated to mean much to the management of individual companies.

The new system makes no distinction between equity and debt. Managers are told that they are responsible for a lump of the group's capital, and will be levied a charge on their operating cash flow—which is what they are to be judged by. In addition, they will be given overdraft facilities, for which they will be charged at a group rate.

As far as 100 per cent-owned UK subsidiaries are concerned the levy is designed to cover the group's loan interest, tax and dividend payments.

Mr. Michael Garner

Rigours

Of course TI has not chosen the easiest moment to impose new cash controls. Some managers have failed to take the message and others have seen their best efforts brushed aside by the rigours of the market place. In the current economic climate the group has decided that for cash limits to mean anything they have to be somewhat flexible—at least to the extent that they are reviewed more than once a year.

Another innovation has been the introduction of a system of segmental analysis within the operating companies. Many TI companies have relatively high break-even points and limited flexibility with overheads, and—in difficult times—tend to take more and more marginal business at the fringe. But that in turn boosts working capital—with painful effects when cash is expensive and limited.

So the operating companies do their own segmental analysis, usually by product group or geographic area. This can involve some fairly arbitrary decisions about where to attribute fixed costs, but it has served to highlight areas where working capital is employing more cash than can be justified. In many cases salvation lies in getting smaller.

At the same time Mr. Garner has changed the system of financial reporting to main Board members. Whereas in the past they used to get a monthly document up to two inches thick and packed with numbers, they now get seven or eight pages of carefully selected information, with narrative commentary on the facing pages. Like Mr. Julien at BICC, Mr. Garner feels that the job of the finance director is not simply to collect stacks of numbers and hand them over.

It will take some time to judge the impact of all this on TI. But the more stringent system of allocating resources has already produced a string of disposals over the past 15 months or so. Including the sale of the London office, the cash receipts amount to very roughly £30m. And TI has been able to draw some comfort from its cash performance in the very difficult trading conditions of 1980.

Even more encouraging, Mr. Garner believes that the events of the past two years will be of lasting benefit to the long-term health of the business. The group's international competitiveness has deteriorated by about 35 or 40 per cent since the end of 1978. "Even if that had not happened," he says, "we should have been doing what we are doing now."

Mr. Peter Molony

Roger Taylor

ROLLS-ROYCE: PETER MOLONY

Close monitoring of performance

THE FINANCES of Rolls-Royce have defeated great men in the past. When Mr. Peter Molony left Scottish and Newcastle Breweries to become finance director at the beginning of 1979, the problem was to establish why the areo engine group's financial affairs were so complicated, and how best to control them.

One answer to the first question lies in Rolls' management structure. The group is run on a site basis—Derby, Bristol and so on. It is also run by function — manufacturing, engineering, product support; and by project, such as the RB-211 programme.

Another difficulty is the difference between selling in the market place and running the company. It takes two years or more to build a big jet engine, and the financial consequences of today's sales may not be evident for some considerable time.

Just to complicate matters further, the Bristol group—which had been acquired in 1966—was still regarded as a separate entity, subject to quite different reporting systems.

It took Mr. Molony a year to decide on the best way to tackle the job, and in the end he settled for a system of full frontal display. This is intended to take in as much relevant information as possible while remaining flexible enough to ensure that executives need not be submerged under a mountain of numbers.

The new approach is built on three separate types of profit and loss account, each of which is subdivided into the group's main operating divisions. The first is an elaborate kind of payments and receipts table, particularly important for a group like Rolls where one year's profits need have no relationship to cash flow in the same period.

The second display is a more traditional form of profit and loss account, and the third shows performance by individual project. In addition, the group has been broken down into 170 budget centres, each with a responsible manager. This is intended to give a sense of commitment right down the line. Managers may not have designed the part which they are being asked to make, or have sold the final product into which it is to be fitted—but they are still managers, with specified financial responsibilities.

This is especially important in a group like Rolls, which has a long tradition of technical excellence and is competing in a very tough market place. Given the choice, say, between missing a delivery date or running over the top of a budget, the tendency in the past has been to spend the money first and think about the financial implications later.

The result is a much more centralised reporting system. Before that, different parts of the group may have had quite sophisticated methods of their own—but it might have taken a week, for example, to work out the aggregate wage bill. In addition the information is now put together in a way that allows management to pull out and focus all its attention on one particular line of activity.

Another of Mr. Molony's priorities has been to put the past and the future into the same language; to make sure that managers can relate forecasts to achievements by expressing them in the same money, values and reporting language.

During the final quarter of each calendar year the budgets for the following 12 months are pulled together. That is followed by the spring review, which looks five years ahead — two in detail and three in more general outline — and picks up the out-turn data for the previous 12 months. In the second quarter the numbers are again re-examined, this time as part of a regular long-term strategic planning exercise. By the time of the autumn review, managers are preparing for the following year's budgets, and are again asked to look forward for five years.

In this way, Rolls can continuously monitor its performance and its forecasts on a uniform basis.

Another very important change in the financial management of the group is that it now covers all its forward foreign exchange exposure immediately. This follows its very painful experience in 1978, when substantial orders were booked on the assumption that the exchange rate would average $1.80 over the following five years. The new policy may or may not be more advantageous over the long term, but at least it swaps certainty for uncertainty.

It has been helped by the removal of exchange controls. Even if it had wanted, the group could only have sold forward under the old rules when it had a firm contract, and its substantial spares business was excluded from forward sales altogether.

It is much too soon to measure the results of Rolls' new reporting system. Mr. Molony believes that people all along the line are more aware of their financial commitments than in the past. He is also conscious of the dangers in trying to pin down a risk business too far—of making people so nervous of the financial consequences of their actions that they do nothing at all.

But when the Board is making decisions on a number of different proposals, it needs to determine their costs and likely outcome in as clear and unambiguous a way as possible. Its inability to do this has had spectacular consequences on on accosions in the past, of a kind that Rolls-Royce cannot let happen ever again.

هكذا من الأصل

RICHARD LAMBERT here reviews the "Principles of Corporate Finance", a fairly substantial exercise running to nearly 800 pages which he recommends to the attention particularly of financial managers. The joint authors have made a point of summarising each chapter.

A book for businessmen

HERE'S GOOD news indeed. The writings of business academics all too often make the Lex column of this newspaper read like Mickey Spillane on one of his wilder days. The language is fractured, the thoughts obscure. The only likely readers are other academics and they—as often as not—are going to disagree violently with the writer as a matter of principle.

But now here is a book about business finance which is actually intended to be read by businessmen. Richard Brealey of the London Business School and Stewart Myers of the Massachusetts Institute of Technology have together produced the Principles of Corporate Finance which while not exactly a laugh a line deserves to become a standard text for financial managers.

The book's value is on several different levels. Within its 794 pages, it provides an excellent glossary of financial jargon and workmanlike descriptions of the different types of corporate debt. It analyses debt policy and appropriate debt-equity ratios, and includes chapters on rather more remote subjects like leasing, cash management or pension plans. It also addresses—in a reasonably comprehensive way—some of the questions which get academics in a froth, such as the value (or otherwise) of paying dividends, or the reason for merger waves.

Equations

Although you have to wade through quite a lot of mathematical equations, the authors have deliberately avoided abstract proofs and what they call "heavy mathematics." And the difficult bits are marked with an asterisk—for people like me to skip past.

Each chapter concludes with a summary, a list of further reading, a quick quiz and a number of more testing questions and problems.

The book is written primarily for a U.S. audience, but that barely detracts from its interest for other readers. Most of its ideas are pretty universal, and anyway many European companies have a real need to know about such matters as U.S. new issue procedures, pension laws—and even, maybe, the costs of bankruptcy in the U.S.

The essential flavour is summed up in the conclusion, which includes what the authors believe to be the five most important ideas in finance. These are:—

1) Net Present Value. This is a way of working out whether a capital investment project is worth more than it costs. To arrive at the answer you should discount future cash flows from the project by an appropriate rate—to be determined by the rates of return available on similarly risky projects elsewhere in the capital market.

If you can buy cash flows for your shareholders at a cheaper price than they would have to pay themselves in the capital market, you will increase the value of their investment.

If the future cash flow is absolutely safe, then the discount rate to use is the interest rate on safe securities like Government bonds. If it is uncertain, then the expected cash flow should be discounted at the expected rate of return available on equivalent risk securities.

Other systems of evaluating investment projects are examined and dismissed. The payback method, we are told, is a grossly oversimplified rule which ignores the order in which cash flows come back within the payback period. The average return on capital is a pretty hopeless measure too, and the internal rate of return is too easily misapplied.

Discounted

What you should discount is the after-tax cash flow, and you should treat inflation consistently. That is, nominal cash flow forecasts should be discounted at nominal rates, and so on. There are stern warnings about the need to forget "sunk costs" (investments which are irrecoverable and therefore irrelevant) and to include all incidental effects on the remainder of the business.

2—The Capital Pricing Model. This is simply a model of risk and return, and the principle on which it works will be familiar to followers of modern portfolio theory on the stock market.

To quote the authors: "There are two kinds of risk—those that you can diversify away, and those you can't. You can measure the non-diversifiable, or market, risk of an investment by the extent to which the value of the investment is affected by a change in the aggregate value of all the assets in the economy. This is called the beta of the investment. The only risks that people care about are the ones they can't get rid of—the non-diversifiable ones. That is why the required return on an asset increases with its beta."

That poses the question of what determines asset betas—to which there is no easy answer. It is not enough to look at the company's own cost of capital—which is defined as the correct discount rate for projects that have the same risk as the company's existing business. No, it is the project risk that counts, and measuring this requires an understanding of aspects like cyclicality and operational gearing.

3—Efficient Capital Markets. To accept all this, you have to believe that security prices accurately reflect available information, and respond rapidly to new information as soon as it becomes available. This is a widely misunderstood concept. Prices in an efficient market do not represent ultimate future value—since investors are not fortune-tellers. Instead they stand at an equilibrium, reflecting all the information available to investors at that precise moment. If they did not, someone, somewhere, would be making a fortune out of them. New information cannot be definition be predicted ahead of time. Therefore price changes cannot be predicted ahead of time. That, at any rate, is the argument.

Conclusions

The finance director who accepts this theory can draw a number of important conclusions from it. He will trust market prices: that is, he will not recommend a bid for an ailing rival just because its shares stand at half the price they did a year earlier. He will not try to second guess his shareholders by seeking a "favourable" moment for a rights issue (favourable for whom ?). He will not waste money on financial illusions—scrips, splits, and other such mumbo jumbo. And he will ask himself questions like: "Is it cheaper for the company to issue debt than the individual shareholder ?" or "Should the company diversify, or can its shareholders do the job more cheaply ?"

4—The Law of Conservation of Value. This is the principle which states that the value of the whole is equal to the sum of the value of its parts. Remember those stockbrokers' circulars which used to argue that the value of Burmah Oil's holding in BP plus its investment in oil tankers was equal to twice its share price ? It also means that you can't increase value simply by putting two whole companies together, unless you thereby increase the total cash flow. Shareholders in—to quote just one example—British Match know that there are no benefits to mergers made solely for the purposes of diversification.

5—Option Theory. Every issue of a corporate security creates options for the potential buyer, and in every capital budgeting decision it is important to evaluate the option of expanding the project at a later date, or of abandoning it. The authors analyse an option-valuation formula and use the concept to show—among other things—that underwriters provide a useful service (for which they seem to overcharge).

All this may sound pretty remote to the hard-pressed finance director of a West Midlands engineering company. The authors recognise this risk, and admit that there are no mechanical ways of working out correct answers to the pressing problems of day-to-day management. What they are offering is an understanding of the theory plus a number of practical devices for seeking out hidden clues.

Anomalies

This book will be of no value to a budding Wolfson or Thorn—men who built great companies at least partly on their ability to exploit anomalies in the market place, and thereby acquired assets at favourable prices.

"Technique is important, but is by no means the only determinant of the success of a capital expenditure programme," say the authors. That of course is true, but there is still a lot to be said for understanding the technique—which is why this book should be kept within easy grabbing distance.

Principles of Corporate Finance by Richard Brealey and Stewart Myers. McGraw-Hill, £13.75.

Early warning of financial difficulties ahead is claimed for the Z Model analytical technique, which measures a company's health against a series of ratios.

Barometer of bankruptcy

NEARLY A fifth of Britain's manufacturing companies are at risk of financial difficulties during the next 12 months. A large proportion of them seem either to be unaware of the danger or are not taking the right steps to avoid it.

This estimate, based on the financial analysis of 1,000 quoted companies, comes from Dr. Richard Taffler, a lecturer at the City University Business School and a founder director of Performance Analysis Services (PAS). It is derived from the so-called Z Model, an analytical technique which was originally developed in the U.S. and is now quite widely used in the City for spotting companies well before they hit the rocks.

Apart from PAS, other firms offering a Z Model service in one form or another include DataStream and stockbrokers Laurence Prust. The Bank of England uses the technique to help it sift out potential trouble spots in the company sector.

Ratios

Since the 1930s, analysts in the U.S. have been examining trends in financial ratios in the hope of finding mechanical ways of predicting bankruptcy. Studies showed that certain financial characteristics increased the probability of failure: features like volatile cash flows, high levels of creditors, or inadequate liquid resources.

To build a Z-score model, accounting data for both failed and non-failed companies is required. By the use of multiple discriminant analysis, scores of possible financial ratios for sound and failed companies have been boiled down to a handful of easily extractable numbers which, when weighted and aggregated, result in the best correlation with financial health.

The different Z-score services have their own weighting systems — the mystery Brand X which turns them into a proprietary product. Broadly speaking, they focus on four or five ratios to measure liquidity, gearing, working capital and profitability. In some cases, the ratios are changed to suit the characteristics of particular sectors — such as distribution as opposed to manufacturing.

Reservoir

A helpful analogy put forward by dataStream is that of a firm as a reservoir of funds. The reservoir is fed by cash inflows such as funds generated from operations, and drained by outflows such as interest charges and investment in working and fixed capital. The length of time for which negative flows can be sustained depends on the level of the reservoir relative to the rate at which it is being depleted.

In the dataStream model, a fall in profitability or liquidity, a rise in gearing, or a fall in the efficiency with which stocks are turned into sales will result in a drop in the Z-score.

So the key feature of the Z-score is that it summarises in one figure numbers which have been pulled out of the profit and loss account, the flow of funds statement, and the balance sheet. Its proponents claim a very high success rate at predicting trouble anything up to three or four years ahead. Companies like Fodens, Dunbee-Marx, Fairey and Airfix were all flashing danger signals well before the end, and a disconcerting number of household names now stand in the danger zone.

However the Z-score needs to be interpreted with the greatest caution, and not just because of the laws of libel. A low score does not automatically indicate that a company will fail—merely that has characteristics in common with past failures.

Candidates

A discussion paper on the subject published by the Bank of England in July 1979 concluded: "All that Z-scores can hope to do is act as a sophisticated screening device and so direct attention to those firms most urgently in need of analysis."

It suggested that rather than placing too great an emphasis on rankings, the analyst should regard companies with a Z-score standing below the cut-off point as candidates for further examination. "A declining Z-score would seem to indicate a deteriorating financial position, thus demanding urgent attention," it said.

Most of the firms which use the Z-model offer this extra layer of interpretation in one form or another. For instance, PAS calculates the PAS-Score of individual companies, which is derived from the Z-score and other data to give an overall measure of economic performance. It is based on a scale of one to a hundred, and is used for plotting trajectories.

Policies

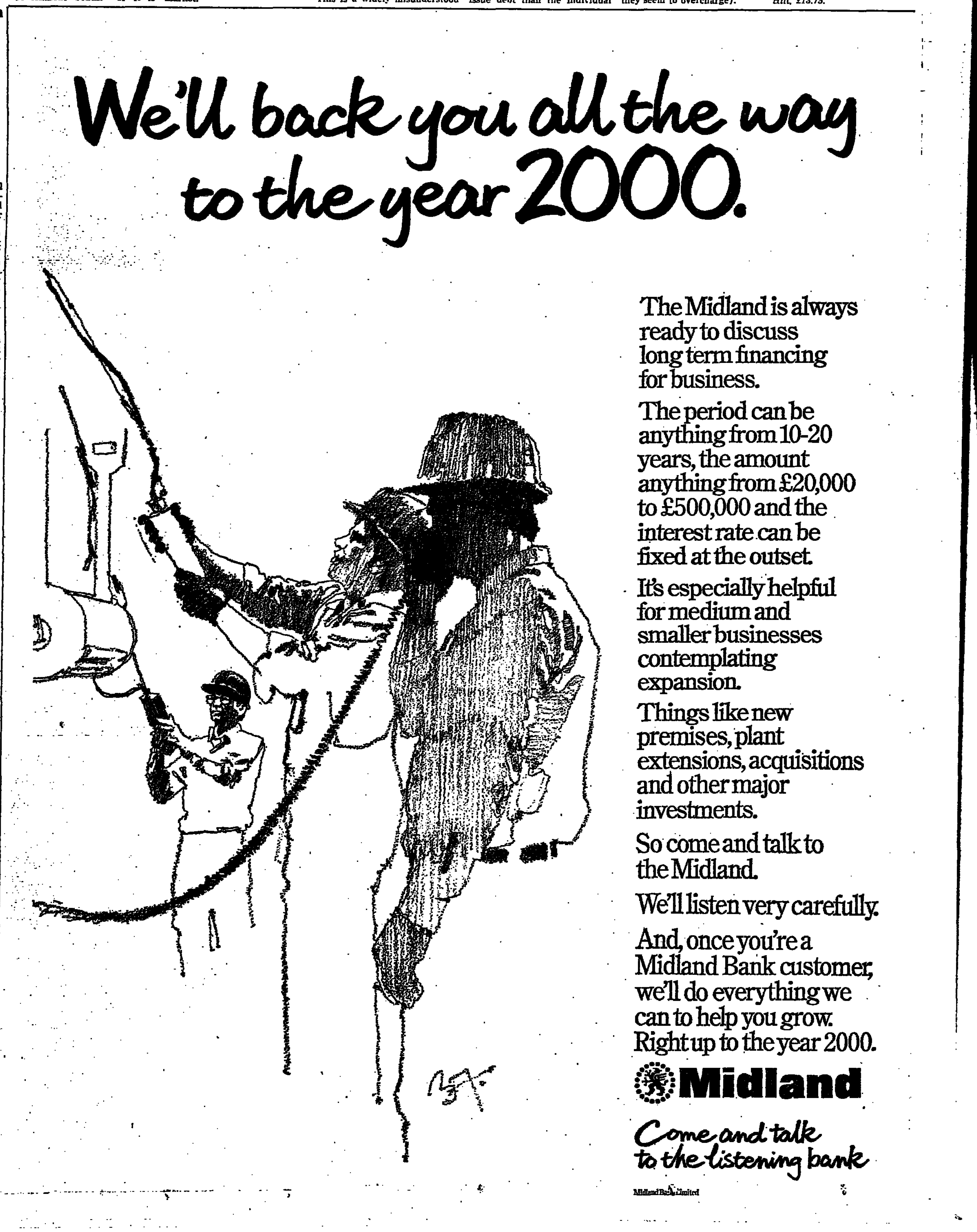
PAS claims that these trajectories are a direct measure of the effectiveness (or otherwise) of board policies. It also calculates a risk rating, developed from a study of trends in the Z-scores of companies which have gone bust and others which, by various means, have managed to pull back from the brink of potential insolvency. These ratings run from one to five, and companies which hit the big number are generally reckoned to be past saving in their present form.

Customers of these services include investors, bankers, credit controllers and finance directors. A data-Stream analysis has shown that share prices in companies with low Z-scores have tended to perform worse than the stock market as a whole. However, some companies—like Westiand—have performed spectacularly well after a period of deteriorating ratios while others—EMI or Decca—have been taken over at a premium to the market price. So for the stock exchange investor, in particular, the Z-score by itself is not enough.

An innovation from PAS is a microcomputer credit control system. This allows users to key their own data into the equations, and can be used for instance, to evaluate financial packages for acquisitions or funding as well as more conventional credit analysis.

Well managed companies hardly ever get into serious financial difficulties. The aim of these services is to warn managers, creditors and investors of dangers to come, in time for them to take corrective action.

—Richard Lambert



For all the problems associated with operating on relatively unfamiliar ground, it is clear that company treasurers have been taking increasing advantage of the restoration of foreign exchange freedom to gain greater manœuvrability of funds. The process has led to increased dealing with foreign banks, as well as other specialised institutions.

Companies tap international funds

THE YEAR AND A HALF since the abolition of exchange controls in October 1979 has been an adventurous period for company treasurers. Against all the expectations when restrictions on moving funds overseas were lifted, sterling has soared on the foreign exchanges — although it has weakened slightly during the past month or so.

At the same time corporate liquidity has been under severe pressure from a combination of the deeper than expected recession and high interest rates.

This confused background has created additional complications in the task of revolutionising their financial techniques that many companies set themselves when controls were removed. But although a great deal more remains to be done, it is clear that a large number of companies have indeed taken advantage during the past 18 months of their new-found flexibility in handling and deploying foreign currencies both in Britain and in financial centres around the world.

Opportunities

Corporate treasurers are now free to organise their cash and liquidity management to make the best use of interest rate opportunities and foreign exchange trends among the major currencies. On the borrowing side they can reap the benefit of volatile rate movements and the highly disparate cost of funds in different financial centres by switching flexibly into different currencies. And they can take advantage of sophisticated electronics to monitor their exposure on a minute-by-minute basis 24 hours a day.

Companies have plunged into new markets—the growth of depositing on the Eurosterling market and the increase in borrowing on the commercial paper markets in the U.S. being just two examples.

This has led to a big increase in links with foreign banks, which see the UK company sector as an important untapped market. The flurry of activity has also given fresh impetus to the bevy of foreign exchange consultants which has sprouted during the past few years to help steer corporate clients through the vicissitudes of floating currency rates and volatile credit markets.

Among the British clearing banks the corporate advisory and trust management departments have been big growth areas during the past 18 months. Branch managers have been issued with explanatory handbooks detailing ways of improving the financial techniques of corporate clients.

Companies have also become the target of specialist organisations producing not only longer term foreign exchange forecasts but also, for the finance director who is really on his toes, complex technical analyses of day-to-day currency movements.

As Mr. Robert Perlman, chairman of the London forecasting group Forex Research, puts it: "The attitude of company treasurers is becoming increasingly sophisticated. Fluctuating currencies are a fact of life."

Greater concentration on financial techniques may make Britain's top corporations more efficient in their cash management, investment and borrowing strategies — all in line with Mrs. Thatcher's prescription for a leaner and more profit-hungry Britain.

Behind the scenes, however, there is no doubt that the Bank of England is looking at developments a little warily. Treasury departments of big companies are becoming more like banks and other operators on the financial markets. But they are not bound by the same sort of restrictions—for instance on open positions in various currencies—that govern the banking system.

This can not only add to currency instability. The freedom enjoyed by company treasurers to move funds in and out of the UK can also pose problems for measurement and control of the money supply—an area where the authorities already have quite enough difficulties already.

One fundamental change which many companies made when exchange controls ended was to reorganise their foreign borrowing operations.

Several corporations which had taken on large quantities of foreign debt in Deutsche Marks and Swiss francs during the mid-1970s (when British companies were officially encouraged to borrow abroad to *help build up the UK reserves*) took the opportunity to repay the loans by substituting sterling finance.

Consequences

This course had been forbidden under the old regulations—and had led to large losses caused by the decline of sterling. But many treasurers soon rued the consequences when sterling carried on appreciating during 1980 against the formerly strong Continental currencies, thus substantially *lowering the repayment cost of* foreign currency finance, which was anyway already substantially cheaper in interest rate terms.

Tarmac was one company which started to repay overseas loans in order to restore a better currency balance between its assets and liabilities—although Mr. Graeme Odgers, its group finance director, explains that repayments of Deutsche Mark credits were slowed down as the German currency weakened.

The rush to repay led to considerable capital outflows from the UK in the months immediately following the abandonment of controls. Since then, however, emboldened by the firmness of sterling, finance directors have become more innovative.

One London banker reports that hundreds of companies—almost any operation with export or import business—have negotiated flexible foreign currency overdraft facilities. Many companies make use of multi-currency clauses in loan agreements, enabling them to draw down for fixed periods the lowest interest rate currency available (although sometimes other countries' regulations or the banks themselves prevent full use being made of this option).

Banks can provide the finance either through their own direct borrowings on the Euromarket or through the large amounts of retail deposits in foreign currencies now washing across their counters from small investors (another consequence of the abandonment of controls).

Mr. Denis Weatherstone, chairman of the executive committee of Morgan Guaranty in New York, has provided an example of the savings that an unusually prescient company treasurer would have made had he borrowed what was then a "strong" currency on the day that exchange controls were *removed — October 24, 1979.* Taking into account the lower interest rate and the appreciation of sterling, a loan in Swiss francs over one year would have been 25 per cent cheaper than a sterling borrowing over the same period.

As Mr. Weatherstone takes pains to point out, companies would be ill-advised to borrow foreign currencies uncovered — that is, without an appropriate amount of assets on hand to cover the repayment.

Treasurers normally arrange this insurance by hedging on the forward foreign exchange market. The more adventurous can also make use of the hedging facilities on the financial futures markets in Chicago and New York (with London to be added probably from next year) which allow businessmen and investors to buy and sell forward contracts in interest rates and currencies.

Often the combination of foreign currency borrowing combined with full-scale hedging through the forward markets allows companies to arrange finance at highly competitive rates.

For instance, by converting the proceeds of issues of commercial paper in the U.S., UK companies have recently been able to raise sterling finance more cheaply than at home — even during the recent period of high U.S. interest rates.

This is because the dollar has been at a discount to sterling on the forward markets — which has allowed companies to buy dollars forward at a cheap rate to repay the loans.

Commercial

Around a dozen UK companies—including nationalised corporations like British Gas and the British National Oil Company as well as BP, Marks and Spencer, Plessey and ICI, in the private sector — have used the commercial paper market during the past year, with business particularly active during the last six months.

Commercial paper issues essentially tap the liquidity of big institutions and corporations in the U.S. In theory the borrowers can run to nine months. But the normal period is for around 30 days, for amounts of up to \$50m to \$100m.

Companies have also increased their hedging activities in connection with cash and liquidity management as well as borrowing.

Previously, finance directors' ability to use the forward markets was limited by Bank of England regulations. Now the world is their oyster. Forward rates are quoted in most currencies for periods up to two years, and deals may also be undertaken for 10 years ahead, based on individual requirements.

Companies may carry out forward deals to convert into sterling the foreign currency receipts of an overseas order, or to acquire dollars needed for raw material imports. Cover can be arranged for downpayments on contracts, interest and dividend receipts from abroad — even for the foreign travelling expenses of members of staff.

Similar flexibility can be put into effect in the handling of cash balances. During the past 18 months of a strong pound most companies have preferred to hang on to sterling; or to convert foreign currency revenues immediately.

Many finance departments, however, have been alerted to the benefits of placements on the Eurosterling market in Paris or Brussels, where short-term deposits yield $\frac{1}{16}$ to $\frac{1}{4}$ percentage point more than placements in pounds with London banks.

There are signs, however, that some companies are revising their policies towards the pound *following its sharp fall* against the dollar during the past month or so. They may be ready to move more of their holdings into other currencies.

Considerable diversification has already taken place in the longer term investments pension funds and insura companies during the past months. If company treas join the move, this will a possible downward pressure the pound in the months a

David M

Ashley Ashwo

London's Stock Exchange. Keeping pace with changes in its rules is the subject of the article below

The stockbroking fraternity has experienced a sharp increase in demand for its advisory services —mostly from companies anxious for expert guidance through the growing complexity of Stock Exchange regulations.

Calls for advice

THE RAPID evolution of laws, rules and regulations affecting *quoted companies is causing a* big increase in requests by company directors for advice from their stockbrokers.

The past two years alone have seen important changes to the Stock Exchange's listing agreement, the introduction of accounting for inflation, insider trading legislation and, last month, a new takeover code — more than enough to keep any company director unsure about what he can and cannot do.

Since most of the new rules affect a company's relations with the stock market, queries tend to be directed more to the official stockbroker rather than the company's merchant bank.

Stockbrokers have had to scramble to keep up with the growth in demand. "Fifteen years ago, it was rare that you met a client except at his annual general meeting," Mr. A. C. Gilmour of Carr, Sebag said. "Now the chairman is likely to phone you to ask why his stock has moved."

The build-up is such that some broking firms with large corporate departments have begun to charge fees for their advice.

Carr, Sebag, for example, began two years ago charging its corporate clients an annual retainer of up to £5,000: "This has been accepted, by and large," Mr. Gilmour, said. "But we know that if there is a retainer the company will phone more often and so we will give a better service."

Hoare, Govett, over the past 10 years gradually increased its practice of charging time fees for giving advice until this is now a significant and growing part of the firm's revenue, according to Mr. R. H. Bunn, a corporate partner.

However, for advice and services leading to an event, such as a rights issue or a takeover bid the firm charges only a commission or, in the case of a takeover bid, a negotiated overall fee that may vary depending on the outcome.

Rowe and Pitman started charging occasional time fees for their advice to compa about five years ago but the income is still not si cant.

The big brokers are care draw a line between the of advice they can offer those they say they w prefer to leave to a merch bank.

The main services of a st broker relate to the raising money for a corporate cli Being close to the market the major institutional invest the broker should be in a p tion to judge whether or not market of proposed corpor *issue and at what price.*

Documentation

Then, once the terms of issue have been settled, presumably underwritten by merchant bank, it is the brol that lines up the sub-und writers, usually the institutio and potential buyers for unsold part of the issue. T broker also has to obtain approval of the Stock Exchan for the documentation on issue. Apart from fund-raisi operations, the brokers fi themselves increasingly volved in queries about the li ing agreement and in advice the probable impact on t market proposed corpora actions.

"Since the introduction of insider trading law last sum we spend endless time talk to directors about when th can deal in their compan shares," one broker said. T brokers also find themsel arranging meetings betw company directors and insti tional investors and analysts.

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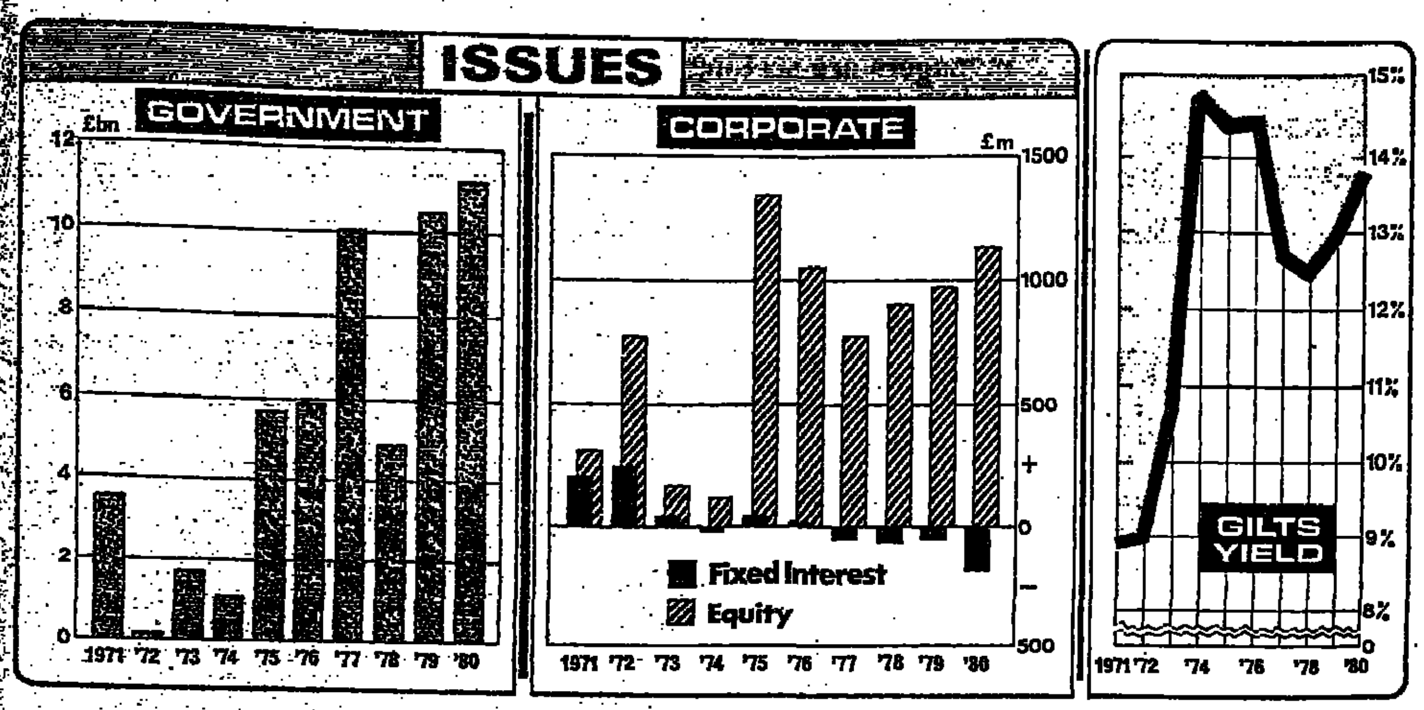


The weight of Government issues, coupled with high interest rates, has pushed private sector borrowing into a narrow slice of the capital market. One development which could go some way towards correcting the imbalance is a revival of the corporate bond market—now a major talking point.

Long-term borrowing

THE CHANCES of a revival in the UK corporate bond market are a major talking point in government and industry circles and in the City of London.

It is a dialogue with sharp edges: The Government, for example, is frequently told that its own fund-raising activities—and those of previous administrations—have effectively wiped out the corporate borrower over the best part of a decade. Mr. Nigel Lawson, Financial Secretary to the Treasury, said in Zurich in mid-January: "... in recent years issues of gilt-edged stock have represented not far short of 90 per cent of total capital issues."

Mr. Lawson's remark echoed a point made by Lord Catto, chairman of Morgan Grenfell, in a Royal/Dutch Shell Foundation paper delivered to the Association of Corporate Treasurers in October of 1979: "... it is grossly misleading to say that the long-term debt market in the UK has been killed by high inflation. The contrary is true. The long-term debt market in the UK has never been as high as it is. However, the price of the enlargement is that interest rates have been driven far beyond the level which private sector borrowers have been prepared to pay."

Predominant

Lord Catto did not leave it at rhetoric. He pointed out that in 1964 net issues of all debt securities, including corporate debentures, as a proportion of Gross National Product (GNP) were 0.96 per cent. Net issues of equity securities were another 0.86 per cent. This meant that in practice private sector issues were predominant in the capital market. By 1978 net issues of debt securities accounted for 2.97 per cent of GNP despite net redemptions by the corporate sector (as illustrated in the accompanying chart), while net issues of equity securities had fallen as a proportion to only 0.56 per cent.

On the other side of the coin the shift in the public sector's financing has meant that the rise in the borrowing requirement has borne far more heavily on long-term capital financing, and capital formation, than it has on bank lending and stock finance. "Put it this way," says a stockbroking specialist in fund raising, "the classic pattern of bank borrowing short term to finance expansion, funded by 25- to 30-year fixed interest capital and followed by a rights issue to expand the equity base has virtually disappeared."

Mr. Daniel Hodson, group treasurer of Unigate, is pragmatic, at least in his acceptance of what has been. "Life," he says, "has moved on since the 1960s." A company has to make a decision whether or not to raise fixed interest debt, and since companies have been priced out of that market they could only turn to the banks. Capital requirements, particularly for stock financing, have been such that the proportion of fixed interest debt, big as it once was, has contracted quite considerably.

Unigate's long-term debt is about 20 per cent of the total and Mr. Hodson says that its experience "has not been atypical," in its inability to replace retiring debt with new fixed interest funds. "People have been raising money to finance business basically from banking sources."

From his other vantage point, (in the Association of Corporate Treasurers), Mr. Hodson sees not only a corporate will to raise more fixed interest capital but also a definite need for companies to do so. "It would improve the quality of their earnings."

This follows the line expressed by Mr. Joel Stern, president of Chase Financial Policy, in the Financial Times in April 1978: "... where the tax deductibility of interest makes debt less expensive than equity, employing debt to finance expansion reduces the cost of acquiring capital and hence increases the company's share price." Mr. Stern hardened his line in The Treasurer magazine last autumn: "Modern finance—both the theory and the supportive evidence — persuasively concludes that debt can never be more expensive than equity."

It does, however, have to be available at a price which corporate treasurers can persuade their Boards of directors to accept. Mr. Tim Eggar, a Conservative MP and a senior executive of the European Banking Company in London, saw the numbers in this way. At present companies would be paying a minimum of a percentage point over base rate which would mean 15 per cent for the absolutely prime borrower and probably more like 16 per cent for the general run. As to the rate which would actually attract companies into the long-term fixed interest market, Mr. Eggar said that six months ago he would have plumped for from 11½ to 12 per cent; now he reckons that anywhere in the 12s is a practical proposition.

Mr. Eggar was obviously wearing his political hat when he wrote, for The Treasurer, earlier this year: "... the share of available institutional funds taken up by Government will decrease during 1981 and beyond." But it is an interesting piece of headgear. From political ends, we move on to means: "A gradual move towards monetary base which is currently being discussed at the Bank of England means that many companies may find that their use of overdraft is restricted or denied to them completely over a period of time. . . ."

Flexibility

On its own this is unlikely to scare the clearing banks, which have been willing, eager and apparently successful in offering companies medium-term money with a flexibility — in currency and maturity, for example — which is only denied to the interest rate. However, there are other moves under discussion, like a public sector move away from the long end of the market; and it is clear that the political, industrial and financial will exists to re-create the UK corporate bond as an effective financial instrument. The Denmark and Iceland "bulldogs," 25- and 35-year sterling loans at 13¼ and 15 per cent respectively, are evidence enough of the institutional buyers' willingness to play *along at the right price.*

So companies and their advisers have to proceed on the assumption that the market could re-emerge. If it happens, they may be more alive to their opportunities than they were a little more than three years ago.

It is true that since 1973 high average yields on gilt-edged stock have coincided with minimal fixed interest funding by the corporate sector. But the gilt yield averages mask a period of around 12 months from October 1976 when Minimum Lending Rate fell by a full two-thirds to 5 per cent.

It is also the case that the banks' base rate bottomed out a point higher at 6 per cent, while yields on long-term gilts went no lower than about 10 per cent, indicating a minimum costs of 11 per cent to a top class industrial borrower. So it looked cheaper to keep borrowings on a short-term basis at the time, and a number of borrowers missed a first-rate opportunity.

This time, if it happens, companies might care to remember that they will only be funding part of their debt: "£50m for blue chips" is as far as our stockbroker's imagination will stretch. Yet there could be a lot of haggling. As Mr. Tim Eggar says, companies must have noticed the "virtual absence" of restrictive covenants in the Eurobond market. Mr. Hodson's prescription is in three parts: "Make it unsecured; accept no restrictive financial covenants; keep it short and simple."

William Cochrane

Roger Taylor

Foreign exchange dealers at Midland Bank. The international market has become a fresh source of corporate funds since the abolition of controls 18 months ago

As more and more companies close down their peripheral activities, more and more managers are seeking to acquire control of the businesses that employ them. The article below describes the financial facilities available to such prospective buyers and the experience of some of them in achieving their goals.

Managers who become owners

WHEN MANAGERS decide to take the reins into their own hands and become owners, they have a powerful incentive to propel the business into maximum profitability. For along with the often painful financial commitment, the inevitable sleepless nights, and extended working days goes the heady feeling of having what Americans call a "piece of the action."

Financing managers who want to buy the companies they have been running for other people is becoming an increasingly fashionable activity on the UK financial scene. Not only do managers work harder and more efficiently if they control their business—or so the theory goes—they are also spurred on by the need to pay interest on the money lent to them to acquire it in the first place.

In the U.S. such "leveraged buy-outs" have been common for some years. Occasionally, they run into several hundred million dollars, which puts the usual size of buy-outs in Britain well into the shade. To date there have only been around 200 such deals in the UK, many of them very small by City standards.

What makes a manager want to gear (or leverage) himself and his team up to the maximum with borrowed money, and what makes the original owners want to sell at all? For various reasons, not least the fragile state of the UK economy, more and more concerns are looking at ways of slimming themselves down, either to raise cash by selling a profitable but perhaps peripheral subsidiary, or to shed an operation which performs sluggishly and needs close attention.

"A big company can't always make a little company work," says Mr. Robert Smith, assistant general manager of Industrial and Commercial Finance Corporation (ICFC). Thus it often makes sense to spin off activities in unrelated areas. Buy-outs can also occur when the owner of a business wishes to cash in and retire, or when a company ends up in the hands of the Receiver.

Whatever the original impulse, managers are becoming more and more aware that they can make the rapid switch from employee to owner. ICFC expects to finish some 70 management buy-outs this year worth £17m or more. A few of these would be carried out jointly with other institutions.

Package

Last year it did 49 such deals totalling over £11.5m. In the previous two years it had organised 25 or so. Clearly, whatever final form the financial package takes, the real investment is in the management itself. "You have to ask yourself," says Mr. Smith, "Can these guys run a company?"

Assuming that the answer looks like being Yes, a typical deal for, say, £100,000, could look like this. The managers themselves may raise £20,000—often they scrape together a good deal more—with ICFC putting up the remainder. But ICFC's contribution would include only £10,000 of actual equity, giving the managers control of two-thirds.

The other £70,000 of ICFC money would be in the form of loans or preference shares, or both; all with a prior ranking ahead of the equity for interest payments and dividends. Most deals take several months to complete because of the complicated financial, legal and tax aspects.

ICFC was involved, though not as a prime mover, in one of the largest of recent UK management buy-outs, that of Gower Furniture from the troubled PMA Holdings. The latter gained over £4.8m from the deal, with a further £800,000 cut from its borrowings by the sale of Gower, a Halifax company making flat-packed fitted furniture for kitchens and bedrooms.

The sale of the business itself, which had not long been a part of PMA, raised £2.85m. PMA also sold the lease of the Gower's main property for nearly £2m to an institution. Since kitchen furniture can hardly be singled out as one of British industry's most promising sectors at the moment, the Gower example shows that buy-outs need not always occur in glamour areas. Several recent ones have been in engineering.

The organiser of the Gower deal was Candover Investments, which brought together a pension fund, an insurance group, an investment trust and several merchant banks, as well as ICFC. Candover's chief executive, Mr. Roger Brooke, reckons the time is now favourable for buy-outs, especially with interest rates ready to go down.

"The era of fashionable diversification is past," he feels. With many groups plagued by high borrowings, dwindling profits and a consequent inability to invest adequately, a decision to sell off a non-essential subsidiary may well seem the most attractive option. Clearly, says Mr. Brooke, if the business was not at the core of its previous owner's activities, "the management is usually crucial."

Competent

So far, many managers still do not realise that they could be helped to buy up their businesses, assuming they are regarded as competent. Nor is there any real track record to guide outside investors in such deals, though Mr. Smith of ICFC says very few have actually gone wrong.

Later this month ICFC is running a one-day conference on management buy-outs at Nottingham University. As well as pointing out the opportunities, the conference will also cover the financing problems. Since UK company law does not allow assets of a company being purchased to be pledged against a loan, there must be close scrutiny of projected cash flow to assess creditworthiness.

"If the record of companies bought out by management starts to look good," says Mr. Brooke, "and it starts to appear that a business gets a new lease of life with new management zeal and improved profit performance, then buy-outs will start to become more attractive to investors."

Several merchant banks have become involved in management purchases and plan to do more in the future. "Things are hotting up without getting frantic," says Mr. John Bowman of Charterhouse Development Capital, an offshoot of Charterhouse Japhet in partnership with pension funds and insurance companies.

Also contemplating more deals is Barclays Development Capital, which has just taken part in a £2m package with ICFC under which the management of *Wilmot Breeden's* electronics side bought control from the U.S. parent Rockwell International. In this case, the management put up £80,000 of its own money. Since buying Wilmot in 1979, Rockwell has been keen to sell off the parts it does not want, with the Truflo engineering subsidiary also going to its management last December for a much larger sum.

Not all managers, of course, want to own their businesses or are capable of doing so. But by its very nature, management should respond to challenge and the chance to become a proprietor is often too good to be missed—quite apart from the likely benefits to the actual business. Management buy-outs are "thoroughly healthy" believes Mr. Jeremy Seddon of Barclays Development. "If the limp hand of a conglomerate is removed from a small company, it can grow more and more rapidly under independent management."

Andrew Fisher

Calls for advice

CONTINUED FROM PAGE VI

"We have been increasingly successful in gaining the confidence of our companies so we find ourselves advising them on all aspects of financial planning and the marketing of things to the financial public," Mr. Bunn said.

While this would seem to leave little room for the merchant banks, the big brokers protest that they are not trying to compete with the banks at all.

If approached by a company with profits in excess of £1m, Carr, Sebag would insist that it first see a merchant bank; the other large brokers take much the same view. The merchant banks are regarded as military generals in a financing, lining up brokers, accountants, solicitors and public relations experts as well as providing the capital muscle to back an issue.

The brokers concede that they could do a lot of merchant banking functions themselves—and in fact do take them on for companies too small to be of interest to a merchant bank—but this would mean a big increase in staff and capitalisation, especially to handle contested takeover bids.

Interest in the business opportunities offered by the Stock Exchange's new United Securities Market (USM) varies. Hoare, Govett and Carr, Sebag seemed most enthusiastic, seeing the USM as a means of attracting small, growing companies to their corporate client list. But all had reservations about the lower documentation standards required and Carr, Sebag felt USM companies should be obliged to issue more than 10 per cent of their equity capital when going public.

"If it is a good company, and it issues only 10 per cent, the shares are inevitably going to go to a ridiculous price," Mr. Gilmour said, "and that puts an unnecessary strain on the company."

As can be seen in the accompanying table, the business of representing companies as official stockbroker is concentrated in very few brokers' hands. Many very successful brokers, such as James Capel and Wood, Mackenzie, have only very small corporate departments, relying instead on solid research to produce substantial commission business.

In part because of a Restrictive Practices Court case on the operation of the stock market, there is a growing expectation that fixed commission rates will soon be abolished and that only the strongest brokers will then be able to continue to prosper on broking alone. Consequently some realignment in the industry is expected, with perhaps more brokers looking to corporate services as a major source of revenue.

The emergence of the USM, for example, is seen by some as providing an opportunity for smaller firms to break into the business of providing corporate services. Rowe, Rudd has already announced that it is abandoning the broking business this week to concentrate on corporate services, aimed particularly at bringing small companies to the market.

TOP 10 BROKERS
(by number of companies represented)

Cazenove	274
Carr, Sebag	141
Rowe and Pitman	141
Hoare, Govett	130
de Zoete and Bevan	81
Laing and Cruickshank	76
Capel-Cure Myers	66
W. Greenwell	66
Panmure Gordon	63
Sheppards and Chase	63

Source: Directory of City Connections 1979-80, Crawford Publications Ltd.

Other brokers that have been prominent in the USM market so far are Singer and Friedlander, Grievson, Grant and L. Messel.

Mr. Tim Hearley, who is developing corporate business for McAnally, Montgomery, said USM business can often be found just by going through the list of private investment clients where owners of small promising private companies are likely to be found.

But the big firms are confident they can hold their own in the competition for small companies and even offer better services than the smaller brokers.

Carr, Sebag, for example, has teams constantly travelling around the country visiting its smaller company clients on the assumption that these are the clients most likely to need regular market-related advice. Other full-service brokers point out the additional financial services they can provide, such as industry research, money-broking, pension fund management and the like.

Brokers are doubtful that Rowe, Rudd's move is likely to spark a trend. They argue that the broking side of the business is vital if the broker is to maintain a close knowledge of market conditions to serve his corporate clients. Conversely, the growth of the corporate client list tends to bring an increase in commission business as the official broker comes to be identified as one who knows the market in his clients' shares.

Mr. Tony Rudd of Rowe, Rudd argues that the handling of new issues is so time-consuming that he has less and less time for broking, but he denies that he risks losing touch with the market. "If you have been in broking for 20 years, you don't lose the knack for pricing issues."

Even if the Rowe, Rudd gambit is not widely imitated, most observers expect considerable changes in the stockbroking industry in the next few years, resulting in a dwindling number of firms and a blurring of lines among the functions carried out by merchant bankers, jobbers and brokers. This upheaval should at least leave the corporate client in a good position to demand high quality services from his broker.

Ian Rodger

FOREIGN AFFAIRS

'It sounds a pretty silly policy to me . . . . Why don't you scrap it and start again?'

Ian Davidson takes a new look at the Common Agricultural Policy

"THE TROUBLE with the Common Albatross Policy," said the Ancient Mariner, "is that it suffers from a number of unresolvable internal contradictions. It seemed such a good idea when I thought of it 18 years ago, but it's been round my neck ever since, and it gets heavier and heavier." He heaved a hopeless sigh as he sat down on the bench.

"This sounds like the beginning of a very baffling conversation," thought Alice, but all she said was: "Perhaps I can help you lift it off?"

AM: "Oh, this thing isn't the problem. It's just a reminder that by the end of June I must solve the unresolvable contradictions. Some people call it The Commission's Mandate." And he laid it carefully on the bench between them.

Alice: "Well, would it help if you told me the contradictions?"

AM: "That is kind. But before we start, perhaps you would have a word with the bassoonist—he's so loud I can hardly concentrate, and this is no time for weddings."

"Thank you. Ah yes, the CAP. You see, it's all about these jolly farmers: they make hay when the sun shines, produce milk when it doesn't, grow wheat in all weathers, churn butter in the morning, trample grapes in the afternoon, to the point where we don't know where to put the stuff any more.

"We used to buy up the surpluses and put them in stocks, but that wasn't very popular: people kept jeering at us for our butter mountains and wine lakes and cut price sales to Russia. We've done our best to hold down the stocks, but that means dumping stuff on world markets at depressed prices. Whatever we do with it costs the most frightful amount of money, and that's one thing we haven't a surplus of."

Alice: "It sounds a pretty silly policy to me, if you have to pay people to produce things which nobody wants. Why don't you scrap it and start again?"

AM: "Oh, we can't do that. The farmers like it. The French like it, the Dutch like it, the Bavarians like it, the Danes like it, the British National Farmers Union likes it, even Peter Walker now seems to like it. The French say they have a vocation for it, though what that means I'm dashed if I know.

"Of course, they don't like it quite as much as they used to. But they say it's the best policy we've got. It's certainly the most expensive." He wiped a tear from his eye.

Alice: "It sounds to me as if you're paying the farmers too much. If you reduce their prices, perhaps they would stop producing all these surpluses."

AM: "Not necessarily. In the beginning we set the prices far too high, just to please the Germans, and that meant the most efficient farmers were coining it. In the middle 1970s we made matters worse by raising prices much faster than we should have done. But in the past few years we've been more cautious, and only allowed prices to rise by less than the rate of inflation.

"As a result, what with rocketing prices for tractor fuel and fertilisers, and murderous interest rates, the farmers are worse off all the time. Overall, farm incomes in the Community fell by nearly 2 per cent in 1979, and by nearly 9 per cent in 1980."

Alice: "Well, that should stop them producing so much, shouldn't it?"

AM: "Alas, alas, no—or at least not within a politically or financially acceptable time-scale. Raise the prices in real terms, and they produce more because it's profitable; cut the prices, and they try to produce more just to maintain their incomes. Yields are rapidly increasing, but consumption is virtually static. Output last year was at record levels for all the principal foods, and milk, cereals, olive oil and wine are all in structural surplus—in the case of milk, production is now over 15 per cent higher than consumption. It's just got to stop."

Alice: "Well, when you run out of money to pay for this crazy policy, the governments will have to do something to change it."

AM: "We thought that moment would arrive this year, but we've just done our sums again, and now we think it won't come till next year—perhaps not until the year after. World prices for quite a lot of foods have been pretty high, so the subsidies we need for exporting our surpluses haven't been as expensive. Since export subsidies account for about half the farm policy budget, higher world prices can save us a lot of money.

"Also, we've been cutting our management costs. We've been talking to the New Zealanders about ways of planning our dairy exports so we don't undercut one another in third markets, and we think this has kept the price up. And we've been more selective in buying up beef at the support price, or in selling beef from our cold store.

"During last year we chopped this intervention buying from 10,000 tons to 2,500 tons a week. But there has been no fall in market prices, because the meat processors started having to adopt a stocking policy of their own."

Alice: "Do you seriously mean to tell me that after 18 years, you've only just started to do these things? That you've just been sitting there, handing out the money at pre-determined prices for unlimited quantities? That's not what I call a farm policy, it's welfarism, outdoor relief, a slush fund tailor-made for fraud by farmers and scandalous profits for the middleman.

"And as for this business of higher world prices, surely you don't mean to tell me that your planning is based on the assumption that they will stay high? Why should they? Really, I'm surprised at you, at your age!"

AM (hastily) "Yes, yes, I know, it doesn't look good. But we *are* trying much harder now, and we've got all sort of gadgets on the table for getting a grip on the production problem. This year we are once more proposing rather modest price increases, below the rate of inflation and far below what the farmers say they need.

"But we also want to put an end to the system of open-ended guarantees for products in structural surplus. Up to a certain quantity, the guarantees would apply; beyond it, farmers would have to accept a cut in prices or pay a tax to the Community.

"In future, for example, we want a superlevy on any milk produced above a certain quantity, at a rate which would pay for the entire costs of disposal—which would work out at about 30-35 per cent.

"For cereals the guaranteed price would drop by 1 per cent for every 1 per cent by which production exceeded recent average quantities. For beef we want more selective intervention buying. And so on, for olive oil, fruit and vegetables, tobacco and oilseeds."

Alice: "Goodness, I bet the farmers don't like it one little bit. But at least it means that you've said all you need to say in your Mandate about the farm policy, so you don't have to wear the Albatross any more."

AM: "Dear me. I wish that were true. For one thing, we've still got to reconcile the farm policy proper with the two big budget issues—who pays for it, and what it gets spent on.

"This exercise started when the British bellyached about how much it was costing them.

"The whole thing is made much more difficult by the fiction of common prices. National currencies rattle up and down, and when they rattle up (as in the case of Britain), the fiction of common prices can only operate with corresponding import levies and export subsidies, known as Monetary Compensation Amounts or MCAs. In Britain's case these MCAs are about 18 per cent.

"The trouble arises when we start talking about national contributions to the Community budget. The British and Germans will always get a raw deal under the existing rules. But what is embarrassing for them, and delightful for the French, is that they get an even worse deal when they have these positive MCAs; at 18 per cent, Britain's net contribution to the budget is about £300m worse each year than it would otherwise be.

"For form's sake we propose a 5 per cent cut in these MCAs. But how can they agree, when it means a corresponding cut in their farmers' incomes, which have been declining anyway since 1976? All you need to ease your budget problem, titter the French, is to bankrupt your farmers. Jolly humorous.

"And that's not all. Even if the governments accept our quota proposals—and they probably won't—we're only just started on the surplus problem. After all, the penalties would only apply to production above recent average levels, and for several products those levels are already too high. Last year the milk sector accounted for 43 per cent of the farm budget, because of the cost of disposing of the surplus. If we could eliminate the surplus, we might in theory have as much as £2.7bn to spend on other policies, which could mean quadrupling or quintupling the regional and social funds. But if we don't get rid of the surpluses, those Holstein cows will go on gobbling up a ludicrous share of the budget, and leave hardly anything to restructure in favour of new policies which might be appropriate to the real Community problems of the 1980s."

Alice: "But what's so wonderful about the farmers that the rest of us have to keep them in business?"

AM: "Don't interrupt, child, I haven't finished. The final problem is this: what do we do stop them trying to keep their real incomes up, by penalising over-production, we must either give them better prices for the basic quantities, in line with inflation; or else we must start thinking about direct income support payments for the worst-off—an administrative nightmare; or we must assume that national governments, which already spend as much on their farmers as we do (some calculations say twice as much), will spend even more in future.

"So you see we'll have to say a lot more in the Mandate at the end of June, but we're at our wits' ends to know what. Quite a lot of farmers should probably go out of business. But how do we get there from here, when there are already 7m unemployed in the Community, with the prospect of 15m by 1985?"

Alice: (carefully replacing the Albatross round his neck): "I think I may see a way through. All you need do is . . ."

But her words are lost as the bassoonist, his patience exhausted, strikes up a noisy tune. It's not a wedding, but an election rally. In the distance, the red-white-and-blue king is shouting: "*Continuité, stabilité! Préférence communautaire! Solidarité financière!* Off with their MCAs!" and other improving slogans, while his courtiers distribute money to poor peasants.

Letters to the Editor

Energy costs

From the Chairman, Tioxide Group.

Sir,—As one of the CBI representatives on the energy task force, I was dismayed to read your article of March 5 in which you forecast that we would be disappointed by the measures Government would introduce to reduce the burden on industry of the high price of energy in Britain.

Together with other members of the task force, I devoted a considerable amount of time and effort to produce an agreed report. Even on the conservative basis of the figures reported there, a very substantial disparity is revealed between the price of energy here and in other European countries.

It would be a surprising error of judgment if, after all the hard work, the Government failed to take measures to remove this heavy and unnecessary burden from industry. It should immediately remove the excise duty on fuel oil, reduce the price of gas in step with this reduction in duty, and introduce measures to ensure that high load and high load factor consumers of electricity can obtain the lowest prices possible commensurate with the cost of supply.

These are the minimum immediate steps the Government should take if it treats the report of the energy task force seriously.

John Pitts,
Tioxide Group,
10, Stratton Street, W1.

Statistically idiosyncratic

From the Director, Cement Makers' Federation.

Sir,—In her article of March 5 Sue Cameron includes a table showing fuel costs of various industries.

Because of a whim of statisticians, Portland cement manufacture is included under the general heading "Bricks, pottery, glass, cement, etc." This heading covers a heterogeneous range of activities including, for example, abrasive wheels, domestic glassware, bituminous felts, quicklime, ready-mixed concrete, pre-cast concrete goods, cement, bricks, thus statistical idiosyncrasy thus totally disguises the true cost of fuel for Portland cement manufacture (arguably the most energy-intensive manufacturing industry).

Readers of such statistics as these could well be led to think that in cement making fuel costs amount to 18 per cent of operating costs. Would that this were so. The true figure of energy costs as a percentage of operating costs in the manufacture of Portland cement is 42 per cent. Of these fuel costs, electricity accounts for nearly 30 per cent and coal for 69 per cent.

Cement manufacturers are high load users of electricity (80-75 per cent load factor). It can be seen that the higher electricity prices for large users in this country have a significant and adverse effect on British Portland cement costs *vis-a-vis* those of European makers.

H. Pinnock,
Cement Makers' Federation,
Terminal House,

Opencast coal

From the Secretary, Opencast Mining Intelligence Group

Sir,—It would seem that in his amazement Mr. Godfrey (March 3) has overlooked the nub of the problem caused by excess opencast production. The historic profit and loss figures upon which he bases his argument are quite simply not relevant to this issue. It is the marginal costs and profits which must be considered.

The main reason for the deep mines' deficit is that their current level of production is below break-even point. Any additional output is very profitable, more so than opencast and less costly than even imported coal. This fact should cause no amazement. Sir Derek Ezra put the point most forcibly when explaining the miners incentive scheme to the Select Committee on Nationalised Industries in March 1978. He said "The fact is that all our extra production is marginal because we are a fixed cost industry and, therefore, every extra ton is virtually a bonus."

OMIG takes a rather more cautious view than Sir Derek. We calculate the marginal profit of extra deep mined output at about £17.4 per ton as against £10.3 per ton for production from additional opencast sites, giving an advantage of some £7 per ton for replacing opencast by deep mine production.

If, as Mr. Godfrey suggests, the National Coal Board were to sub-contract a further 5m tons to the opencast companies at the expense of deep mine production, the deficit would be increased by some £35m. If on the other hand he proposes increasing the total output by this amount, the stocking costs would soon exceed any profit and the taxpayer would be called upon to lend the NCB a further £100m to fund the increased stocks.

The danger is not of opencast being made a scapegoat for the deep mines, if anything it is the other way round. Mr. Godfrey wants the NCB to continue protecting the civil engineering companies by sub-contracting unwanted opencast production. This is swamping saturated market and seriously limiting the scope of the deep mines to achieve a profitable level of production. As such it is against the interests of the NCB, the miners, the consumers, the taxpayers and the country.

Malcolm Brocklesby,
Opencast Mining Intelligence Group,
Croft House,
Oulton, Leeds.

Public sector accounting

From the Director of Accounting Studies, Administrative Staff College.

Sir,—The recent cut in proposed water rate increases has highlighted a major problem in calculating public sector charges based on current cost accounting principles.

While I have no knowledge of the detail of water authority accounts, it would seem to me that "current cost" budgets should indicate the current value of the community's investment in water services. The budget should also show the rate of charge necessary to [...]bility of the organisation.

Rather than change the book-keeping rules to fit the charges that are seen to be politically expedient, would it not be preferable to levy a charge based upon the cash requirements of the organisation? Such a charge would, at a minimum, cover the cash needed to operate the organisation in the short-term.

The difference between the actual charge and the "current cost" of providing services would indicate the extent to which the community's investment in water services was being reduced. The resultant current cost deficit disclosed in the annual accounts would also show the effects of short-term measures on the long-term viability of the organisation to undertake repairs, renewals and new capital projects.

John V. Pearson,
Administrative Staff College,
Greenlands, Henley-on-Thames, Oxfordshire.

The debate on drinks

From the Honorary Secretary, Alliance of British Clubs

Sir,—Gareth Griffiths suggests (March 4) in his virtual single-handed review of the brewing industry that the industry "has lost the initiative in the growing public debate on alcohol abuse."

This alliance of 1,025 registered clubs has seen little evidence of any public debate on this subject. It has seen on TV, and read in the media, a series of claims by the anti-drinks lobby that alcoholism is an increasing problem but no convincing statistics or evidence to support the claims.

The figure of 740,000 people in this country said to have a drinks related problem simply cannot be verified. The statistics do not exist. The Home Office gives a top figure of 500,000 persons in this country with a drinks problem.

It is also doubtful wether the classes of person affected by drinks related problems would be touched by any increase in excise duties. R. E. Kendell in the British Medical Journal of February 10, 1979 wrote: "The Registrar General's mortality tables for England and Wales . . . show that many of the occupations with the highest mortality from cirrhosis are professional and managerial. Publicans head the list with a mortality 16 times the national average and are followed by ships' officers, insurance brokers, restauranteurs, journalists and medical practitioners. . . ."

So the professional classes at greatest risk could still either drink their own stock, drink at completely duty free rates or simply afford the higher cost of their drinks! All that would happen would be that the social drinkers in the other classes, who do not have a drinks problem, would drink less.

Other statements issued by the anti-drinks lobby are equally dubious. For example how can it be claimed that drink and driving offences have increased when the police do not take an alcohol blood test after every road accident?

Alarms that cirrhosis deaths are hugely more serious are also not backed by adequate statistics. The figures we do have show that 4.1 per 100,000 of the British population have died from cirrhosis which compares with figures of 51.7 in France, 30.5 in Italy and 29 in [...]

The final piece of evidence for doubting that Britain is awash with alcoholism, which only the most resolute and impartial action on the part of the Chancellor can correct, comes from the Toronto Addiction Research Foundation which says that a mere 2.8 per cent of the British have a daily alcohol consumption of more than 6.3 fluid ounces, which is the internationally accepted figure for determining when a person is an alcoholic.

James Dowd,
Alliance of British Clubs,
P.O. Box 32,
Stockport, Cheshire.

Disenchanted brokers

From the Chairman, Anglia and Northern Home Counties Region, British Insurance Brokers' Association.

Sir,—I do not want to make it a "knock the Life Office Association month," but can you wonder that members resign from an organisation that binds its members to thoughtless and unfair rules?

I know of no other profession that does not reward a similar amount of work with commensurate remuneration. However, the commission payable on top-hat pension arrangements succeeds in accomplishing this.

For reasons only understood by the LOA, it imposes a limit on commissions payable when a pension is arranged for a non-controlling director, but removes it for controlling directors. If the situation were reversed, that I could understand. What is ridiculous is that by manipulation of dates and bringing members into the scheme in consecutive years, the limitation would apply each year.

Fortunately, I know of no insurance broker who would use this, but I quote the possibility to highlight the lack of flexibility and understanding and thereby life insurance brokers' disenchantment with the association.

Perhaps when registration is complete, we may see a change of attitude — we can but live in hope!

A. J. Roe.
BIBA, Fountain House,
130, Fenchurch Street, EC3.

Electoral reform

From Mr. M. Gayford.

Sir,—Samuel Brittan (March 5) urges agreement between Social Democrats and Liberals to give priority to electoral reform and the introduction of proportional representation.

The reason he gives is because the present system is hopelessly biased against some third parties. There is however another pressing reason for proportional representation and that is because it would improve the calibre of our MPs and thus of the Government.

At present ineffectual or incompetent MPs can be elected because the electorate has no choice within a Party. By use of proportional representation with the single transferable vote (PRSTV) by joining several constituencies together there would be a choice, e.g: if that constituency were to have five members Socialists, Conservatives or liberals/Social Demo[...]ence by voting first for the one of the five whom they preferred and by stating their order of preference for the other four. They could not only select their first choice on the quality of the man but on his policy views, for example, a Socialist for or against the EEC. Should the first choice receive more than his quota of votes then the returning officer would transfer the surplus votes to the second choice and so on.

Good men and women are second only to a fair balance among the parties. We cannot afford to lose MPs such as Shirley Williams. PRSTV would make such a loss unlikely.

Michael Gayford.
"Periwinkle," Meols Drive,
West Kirby, Wirral.

Sunderland is not alone

From Mr. W. Kellett

Sir,—Max Wilkinson (March 5) states "Recently, a new and worrying pattern of decline has begun to emerge . . ." in Sunderland. I suppose that it depends upon what he means by "recent." If we go back to 1960 we find that Sunderland had, on average, an unemployment level approximately three times the national average. At present it is approximately twice national average.

What is more to the point, is that over the last ten years this differential has been maintained. It would therefore seem to indicate that Sunderland is not an isolated case but a highly sensitive reactor to the national economy. Closures in the type of factory that Max Wilkinson mentions have occurred all over the country and are not really peculiar to Sunderland alone.

Measures to rectify the situtíon must not, as Professor Goddard has suggested, be aimed at "massive state intervention" except as a purely temporary measure. What is needed, and what is beyond the present scope of economists and politicians alike is an upturn in the UK economy.

W. Kellett.
Blacksmiths House,
Low Pittington, Durham.

Peripheral subjects

From Mr. J. Norton,

Sir,—I fear that the Conservative Party is losing its senses in the face of the "emerging" Social Democratic Party. Lord Thorneycroft's remarks in his letter to Tory MPs, Party chairmen, and agents are very interesting but I am afraid that I don't believe him.

He wrote: "Other parties existing or emerging concern themselves with peripheral subjects such as proportional representation, the aboliton of private education, a wealth tax, an all-embracing legally enforced incomes policy and the pursuit of equality in preference to liberty. . . ."

Does he really mean that the Conservative Party does not think that these issues are important? If so I look forward to the silence from the Tories when private education is abolished, a wealth tax is imposed, and the Conservatives have their proportional position in Parliament of 100 MPs.

Jon Norton,
240 Ruskin Park House,

Today's Events

GENERAL

UK: Civil Service unions call 24-hour strike over pay dispute.

Mr. James Callaghan addresses Cardiff Business Club.

Anti-seal hunt demonstration, London.

Lord Thorneycroft speaks at Society of Conservative Lawyers dinner, Savoy Hotel, WC2.

Overseas: EEC Fisheries Ministers start two-day meeting in Brussels to discuss common fisheries policy.

European Parliament session opens, Strasbourg (to March 13).

Investment seminar opens in Hong Kong (to March 13).

Herr Hans-Dietrich Genscher, West German Foreign Minister, discusses opening arms talks with Moscow, Washington.

PARLIAMENTARY BUSINESS

House of Commons: Guillotine Motion on Transport Bill. Appropriation (Northern Ireland) Order.

House of Lords: Gas Levy Bill (Money), second reading and committee. House of Commons Members Fund and Parliamentary Pensions Bill, second reading. Industry Bill, report. Matrimonial Homes and Property Bill, second reading. Interpretation of Legislation Bill, second reading. Short debate on EEC rights of residence.

Select Committees: Education, on funding of arts. Witnesses: Lord Redcliffe-Maude, Theatres National Council. Rom 8, 4 pm. Public Accounts, on regional incentives. Witnesses: Sir Peter Carey, Permanent Secretary Department of Industry; Dr. R. McCrone, Secretary of Scottish Economic Planning Department; Mr. T. Hughes, Permanent Secretary Welsh Office. Room 16, 4 pm.

COMPANY MEETINGS

See Financial Diary on page 17.

UK COMPANY NEWS

● NEWS ANALYSIS—ANGLO-INDONESIAN BID FOR EVA

An offer that could be refused

BY TERRY GARRETT

ANGLO INDONESIAN'S 40p a share bid for Eva Industries is an offer that could easily be refused.

Readers of the offer document are given the impression the bid is "technical," launched only because Anglo has tripped the 30 per cent holding level. Indeed, Anglo says it wants Eva to retain a separate entity with its own quote. Nevertheless, ultimate control of Eva is the game even if it is not achieved now.

The two companies have a long association. Eva's major profit area is its agricultural tools division—mainly hoes for farmers in the third world. A link-up with a plantation group like Anglo was an obvious move. Anglo took an initial 20 per cent stake in Eva in 1975. In 1979, this holding was increased to 27.27 per cent.

The companies have worked closely together over the years, but Mr. Roy Astley, Eva chairman, is urging shareholders to reject Anglo's approach.

Anglo has two representatives on Eva's five-man board. The only obvious conflict was in 1977 when Eva launched a £1.6m takeover for Robert R. Stockdis, a manufacturer of mudguards and wheelbarrows.

Mr. Michael Nightingale, Anglo's chairman on the Eva board, openly criticised Eva at the time for moving in the "wrong direction" and expressed concern the deal would place "undue strain on management resources."

But after years of this close working relationship, why should Anglo want to pitch in with a bid now? It appears Anglo already exercises considerable influence over Eva.

Mr. Nightingale says he and his colleagues are putting in an increasing amount of management time at Eva and he believes Anglo should have a "bigger slice of the cake. But we don't want too much. We feel we need to be above 50 per cent."

What better time for Anglo to launch its bid than now, when Eva's profits have collapsed and its share price is trading at low levels not seen since 1976?

Profits have fallen from a peak of £3m in 1977-78 to £1.87m in the 12 months to March 1980. For the half-year to September the pre-tax level was down to £231,000 against £910,000. The interim dividend was passed and the outlook for the immediate future remains grim.

Before Anglo's announcement, Eva's shares were standing at 37p — nearly 100p short of net asset value.

Eva has already begun to implement plans for streamlining its UK operations where the main problems have developed. Over 300 redundancies are being made at a cost of over £250,000.

Development costs on the Trantor agricultural vehicle may also have peaked and technical problems appeared last week to have finally been overcome.

If Anglo wanted to launch a bid while Eva's price was still depressed it had to step in before the company started showing signs of recovery.

On January 29, Anglo announced it was acquiring a further 87,000 Eva shares from BAT Industries at 40p each. That extra 0.93 per cent gave Anglo and its associates a 30.62 per cent stake, not including the near 7 per cent held by Stewart Fund Managers which supports Anglo at Eva meetings.

So a £35,000 outlay triggered the 30 per cent rule and Anglo had to launch a bid at 40p. It is a very cheap price in relation to Eva's assets. But because it has had to be launched under the take-over rules, Anglo avoids looking deliberately predatory.

Even if no shareholders accept — and Anglo must be hoping that enough are sufficiently disillusioned to get it over 50 per cent of Eva — the way is open for Anglo to work towards control. Having made this general offer, it can now buy 2 per cent of Eva each year without need to bid again.

Mr. Nightingale and his colleagues may have something to offer Eva in the future by way of management ability or new ideas. Yet with Anglo already holding over 30 per cent, help will be forthcoming anyway and there is no reason why Eva shareholders should hand over their investment at 40p.

However, in the short-term Eva's market price may have difficulty in showing any premium over the offer because of the poor state of its current p and l account.

Pressure for Lloyd's divestment to continue

By John Moore

"THERE is potential for abuse in most walks of life and Lloyd's is no exception. But it does not seem to me that the case for divestment has been properly weighed up."

These remarks, about the vexed question of whether Lloyd's brokers should be required to divest themselves of equity links in managing underwriting agencies, were made by Mr. Michael Morris, director general of the British Insurance Brokers Association.

Mr. Morris, in an address last Monday to the Insurance Institute of London, said that it was unlikely that the interests of policyholders would be damaged through Lloyd's brokers' equity links with Lloyd's underwriters.

"The assureds can only be damaged through having to pay higher premiums or having greater difficulty in obtaining settlement of claims . . . indeed the greater danger might be pressure by a broker on syndicates under the same management to obtain better terms for an important client."

As for the interests of Lloyd's underwriting members, and whether they suffer from the equity relationship of brokers with underwriters, Mr. Morris concludes that the choice of underwriting agent does lie with the members of Lloyd's.

It is for them to decide "whether they would prefer to have their underwriting under the control of managing agents who are Lloyd's brokers whom they know and who have a great knowledge of the market, by independent managing agents who will inevitably be very influenced by the views of their active underwriters, or by some other members' agents who may or may not have sufficient expertise to look after the interest of his names (members), including the selection of managing agents and syndicates.

If divestment were to be required, said Mr. Morris, he questions whether the active underwriter would be "less susceptible to pressure from the new owner of the managing agency who might have little knowledge of the intricacies of insurance business."

He suggests that perhaps the new owners might not recognise the need to maintain adequate claims reserves or that they might seek "favourable rates for insurances in which he has an interest."

Moreover, Lloyd's has argued that it would be against its interest to prevent common ownership of Lloyd's managing agencies by brokers while at the same time allowing the brokers to own insurance companies and to operate company underwriting agencies. This could lead to a movement of business out of Lloyd's to other companies and underwriting agencies, many based overseas, under the influence of brokers.

Lloyd's has said that if Parliament feels that divestment is required to protect the public then Parliament should require *separation of broking and all underwriting activities*, not just Lloyd's underwriting interests.

Lloyd's has also argued that divestment might be ineffective as brokers may preserve their income and control of managing agents through members' agencies, which Sir Henry Fisher said should be allowed to remain under the influence of the brokers, or in other ways.

At the very latest, Lloyd's has said, it could result in years of argument, evasion and disruption just at a time when the market needs unity to deal with intense competition.

Even so, because of actual as well as potential conflicts of interest that exist in the relationship, the pressure for full divestment is likely to continue.

Receiver for John Michael

John Michael (Savile Row), the men's fashion group, has ended up in the hands of the receiver following the suspension of its shares earlier this week.

The company, which has paid no dividend for seven years, made a loss of nearly £370,000 in the financial year to end-January, 1980. At the shares' suspension price of 14p, the company was valued in the market at nearly £370,000.

Mr. Mark Homan of accountants Price Waterhouse has been appointed receiver of the holding company and three subsidiaries.

As well as trading under the John Michael name, the group also owns the Westerner casual clothes shops and the Jonathan Silver fashion shops in the north. Some inquiries have been received about possible purchases of parts of the business.

The 1979-80 accounts, drawn up on a going-concern basis, carried an auditors' note saying that the group was negotiating with its bankers for facilities.

At the end of that financial year, secured overdrafts totalled £484,000 and creditors £678,000. *Shareholders' funds amounted to £758,000.*

FT Share Information

The following security has been added to the Share Information service:—

Consolidated Modderfontein Mines (section: Mines—Eastern Rand)

Suter plans £8m rights

Suter Electrical is planning to raise approximately £8m by way of a rights issue to finance its proposed purchase of Prestcold Holdings, the commercial refrigeration subsidiary of BL.

Suter called a halt to dealing in its shares on January 15 and announced that negotiations were under way to buy Prestcold and that Mr. David Abell, former managing director of BL Commercial Vehicles, had been appointed chairman and chief executive.

Suter, which makes hair salon equipment and wholesales automobile equipment, made a pre-tax profit of £0.4m on turnover of £4.1m in the 14 months ended May 31, 1980. The market capitalisation at the suspension price of 66p, a 1980-81 high, is about £5.4m.

BL reported that its commercial refrigeration division made a profit of £2m on sales of £66m in 1979.

The Suter rights issue, which is planned to be launched within two weeks, is to be underwritten by Robert Fleming and Co. Brokers to the issue will be Fielding, Newson-Smith.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals.

Interims: Gallford Brindley, Murray Glendevon Investment Trust, Parker Knoll, George H. Scholes.

Finals: S. W. Farmer, R. Green Properties, Merchants Trust, Neil and Spencer.

FUTURE DATES

Interims—	
Ductile Steels	Mar. 17
Prassac	Mar. 19
United City Merchants	Mar. 12
Wolseley-Hughes	Mar. 19
Yarrow	Mar. 13
Finals—	
Anglo American Gold Invest.	Mar. 12
Anglo American Industrial	Mar. 12
Habit Precision Engineering	Mar. 12
Lex Service	Mar. 19
Metalrax	Mar. 16
New Equipment	Mar. 12
Queens Moat Houses	Apr. 2
Relyon P.B.W.S.	Mar. 16
Spear and Jackson	Apr. 27
Standard Telephones & Cables	Mar. 20
Williams & James (Engineers)	Mar. 19

Two directors acquire South London Press

TWO DIRECTORS of the South London Press, one of London's leading newspaper groups, have acquired the majority of the company not already owned by them with the aid of a £1.58m financial package from Charterhouse Development Capital.

Mr. Richard Duncan, a Charterhouse Development director who will join the South London Press board, said that the operation was a variation of the increasingly common management buy-out type of investment. Charterhouse had enabled the executive members of the owning families to acquire the business from other members of their families.

The South London Press—which publishes twice weekly with a total circulation of more than 100,000—was established in 1865. In 1907 it was purchased by the families of Mr. David Norman, the present managing director, and Mr. Peter Hayes, development director, with a third family holding a non-executive interest. The Charterhouse package will involve the acquisition of participating preference shares which may be converted into not less than 21 per cent of the ordinary share capital.

Newspaper revenue in the year ended September 1980 was £1.8m with group pre-tax profits more than £500,000, although in the current year these are likely to be affected by the impact of the recession on the newspaper industry. The group also owns Modern Press (Maidstone), a general printing company.

George Oliver downturn

PRE-TAX PROFIT of George Oliver (Footwear), for 1980 dipped from £1.7m to £1.05m on turnover up from £12.75m to £14.6m.

Tax for the year of this footwear retailer decreased to £297,000 (£1.49m) and there were extraordinary credits of £119,000 (£129,000).

Stated earnings per 25p share were well down at 16.5p (27.51p). On a current cost basis pre-tax profit emerged at £646,000 (£1.17m) and earnings per share came down to 9p (17.65p).

A net final dividend of 3.3p (3p) makes a total of 4.4p (4p), absorbing £237,600 (£216,000).

Courtney Pope down at halfway

Pre-tax profits at Courtney Pope, the shopfitting and electrical company, dropped from £440,000 to £310,000 for the half year to November 30, 1980 on turnover up from £10.59m to £12.28m.

After tax of £95,000 (£155,000), earnings per 20p share were 6.31p (8.97p). The board is maintaining a 1.2p interim dividend. The total last time was 2.4p.

Mr. D. H. Peacock, chairman, states that pressure on margins has been even more acute, but savings have been made throughout the group on overheads and by improved efficiency. Though order books in some companies are showing a slight decline, overall volume has again increased and it is hoped that this will enable the full year's profit level to be in excess of that achieved last year.

The shopfitting division has had a particularly difficult period of trading due to expenditure cutbacks in the retail trade, but there are signs that the order book is slowly starting to increase.

LOWLAND DRAPERY SHARES SUSPENDED

Quotation of Lowland Drapery Holdings shares has been temporarily suspended at the company's request.

The Board of this wholesale and retail textile warehouseman states that an agreement has been reached with the shareholders of S. Ross and Co., whereby Lowland will acquire the capital of Ross from Mr. Michael Stephen Ross and others in consideration of the issue of 4m ordinary shares.

This agreement is conditional on Lowland shareholders' approval, on the increase of the authorised capital of Lowland and on the new shares being admitted to the official list. Ross which is engaged in wholesaling upholstery and furnishing fabrics and leasing equipment, had at May 31, 1980, net tangible assets of £634,304 and pre-tax profits for the previous year were £138,952.

W. PRESS HAS OVER 4% OF FRENCH KIER

William Press, the mechanical engineering contractor, has a stake of over 4 per cent in the French Kier civil engineering group and continues to describe its holding as a trade investment.

Late last month, French Kier revealed that William Press had acquired a holding of around 1.5 per cent. Under UK company law, shareholdings do not have to be disclosed until they exceed 5 per cent.

Press said yesterday, however, that its holding was already up to more than 4 per cent when French Kier made its statement. It has made no significant purchases since then.

SPAIN

1980-81 High	Low		Mar. 6 Price %
296	203	Banco Bilbao	283
336	217	Banco Central	320
270	206	Banco Exterior	258
279	200	Banco Hispano	267
137	120	Banco Ind. Cat.	126
175	141	Banco Madrid	141
348	237	Banco Santander	321
190	140	Banco Urquijo	183
320	208	Banco Vizcaya	305
229	175	Banco Zaragoza	229
140	75	Dragados	140
68	45	Espanola Zinc	74
59.7	53.2	Fecsa	57.7
88	22	Gal. Preciados	32.5
71.7	58.7	Hidrola	64.7
63	55	Iberduero	57.7
120	77	Petroleos	89
80	59	Petroliber	70
115	63	Sogefisa	89
63.5	51.5	Telefonica	61
67	58.2	Union Elect.	64.5

AIR PRODUCTS

The major capital investment programme by Air Products in the Ellesmere Port area, amounting to £14m, was completed by late 1979. It was incorrectly stated last week that the company was spending £50m on its plant in this area.

CREDITS

BY PETER MONTAGNON

EDF funding increased to $1bn

THE $600m Eurocredit being sought by Electricite de France to back up the issue of commercial paper in the U.S. has been raised to $1bn because of good market reception.

The increase comes at a time when the market appetite for large, tightly priced credits has been clearly waning, but the French transaction bears all the hallmarks of careful management by a sophisticated borrower.

The initial amount was set at a low level and EDF eschewed the temptation to insist on a ⅛ per cent element in the margins. Instead, it opted for a margin of ¼ per cent for the first three years, declining to ⅛ per cent for the remaining seven.

As it is unlikely to draw on the credit during the first three years, actual borrowing under the facility will still be made on favourable terms, while giving at least the appearance of generosity to the lenders.

EDF'S last such transaction, in August last year, bore a margin of 0.35 per cent for the first five years rising to 0.45 per cent thereafter. On balance the fees of the present transaction, which is led by Credit Lyonnais, are sligly lower than those obtained in August.

Another success story is reported from Sweden, whose jumbo Eurocredit now looks set to total around $1.4bn instead of the $1bn originally mooted. This deal benefited from the inclusion of an attractive tranche denominated in Special Drawing Rights, the currency unit of the International Monetary Fund.

International banks, which have recently been accumulating large amounts of deposits in SDRs, seized on the opportunity to book some assets in the same unit with the result that the SDR tranche has gathered in an amount equivalent to about $600m, leaving $800m in the form of pure dollar business.

This is in marked contrast to the fortunes of Italy, which is close to announcing a cut in the $2bn loan for earthquake reconstruction work to $1bn. About 21 lead managers had been found for the credit by the end of last week on terms that are otherwise unchanged from those originally proposed.

Elsewhere, Poland faces long and torturous negotiations in its attempt to refinance $3.1bn in untied financial credits this year. Poland envisages a rescheduling over eight to 10 years at a margin of around 1¼ to 1½ per cent, though banks are still a long way from discussing terms.

Another Eastern European borrower, Hungary, is shortly expected to come to the market for about $400m while, in Western Europe, Greece is seeking a similar amount for 10 years. The country's central bank is understood to be seeking offers from 40 banks ready to underwrite $40m apiece. It will then choose the 10 most favourable offers and asemble a lead management group for the loan, which it hopes will embody an element of ⅞ per cent in the margins.

Following its decision to repay about $360m in debt rescheduled under its 1978 agreement with international banks, Peru is going ahead with other borrowings including the $100m for Banco Agrario mandated 10 days ago to Manufacturers Hanover, Arlabank, Intermex and Daiwa on the basis of a 1 per cent margin for the first five years rising to 1⅛ per cent for the remaining five.

In Africa, Zimbabwe has raised a $60m credit for its Electricity Supply Commission through a group of German banks led by Deutsche Bank. The loan bears a margin of 1½ per cent for the first three years rising to 1¾ per cent for the remaining four. Also reported is a $50m deal for the same borrower through Standard Chartered on similar terms.

In Asia, the Construction and Development Corporation of the Philippines is seeking $60m over seven years at a margin of 1 per cent to finance purchases of equipment needed to complete a highway construction contract in Iraq. The amount is two-thirds guaranteed by the U.S. Exim Bank.

The borrowing takes the form of a notes purchase facility whereby the lenders effectively pay the U.S. equipment suppliers directly and are repaid by the borrower after the credit matures. This sort of business is normally handled on an "à forfait" basis, but "à forfait" transactions are usually on a fixed interest basis, and few banks are willing to commit themselves for such long periods in the current volatile interest rate climate.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead managers	Offer yield %
U.S. DOLLARS							
††Nafinsa	125	1988/91	7	5¼◊	100	SBC, Salomon Bros.	5.376◊
‡Kotobukiya	25	1996	15	7	100	Nikko Securities	7.000
‡†Ferrovie dello Stato	225	1988	7½	5¼◊	100	S. G. Warburg	5.319◊
§Tokyu Land Corp	40	1996	15	7¾	100	Yamaichi Securities, Schroder Wagg	7.750
§Ito-Yokado Co.	25	1991	10	6.9	100	KIC, Nomura (Europe)	7.019
†Nat. Bank of Canada	50	1988	7	5¼◊	100	Chemical Bank	5.319◊
D-MARKS							
‡EIB	200	1991	10	10½	100	Deutsche Bank	10.500
FRENCH FRANCS							
B.F.C.E.	400	1986	5	14½	*	Societe Generale, KHC	*
SWISS FRANCS							
‡Norges Kommunalbank	50	1991	—	6¾	100	Banque Gutzwiller	6.500
‡STEWEAG	50	1991	—	6¾	100¼	SBC	6.680
‡**Compagnie Francaise des Petroles	50	1986	—	7	100½	SBC	6.878
I.C. Industries	75	1991	—	6¾	100	UBS	6.750
STERLING							
‡Swedish Export Credit Corp.	20	1986	5	13¾	100	County Bank	13.750
GUILDERS							
‡World Bank	200	1991	8	11½	99	ABN	11.423

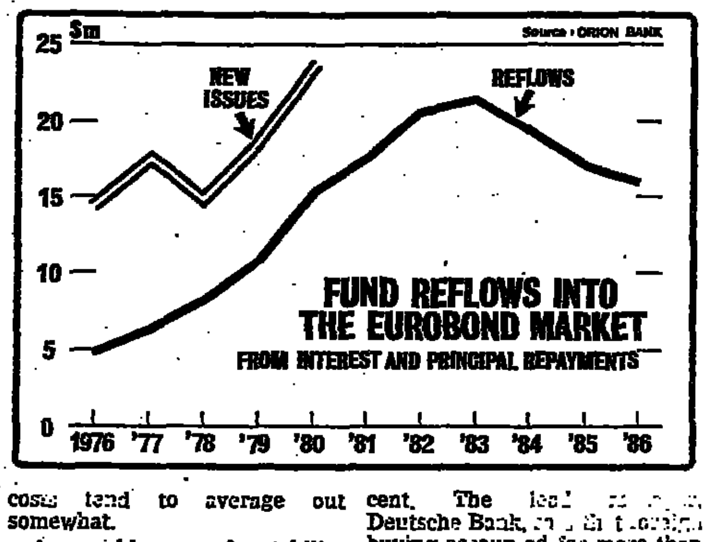
* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ◊ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. Note: Yields are calculated on AIBD basis.

INTERNATIONAL BONDS

BY FRANCIS GHILES

Investors fight shy of the market

A STATE of inertia has gripped the international bond markets and few bankers are prepared to gamble on when things might start moving again. On the face of it, stable interest rates and currency markets should encourage the issuing of new bonds. Such is not now the case, however, as investors keep their money on short-term deposit, fighting shy of bonds — which they feel remain too expensive.



FUND REFLOWS INTO THE EUROBOND MARKET
FROM INTEREST AND PRINCIPAL REPAYMENTS

In the dollar sector, only two small convertible issues and one floating rate note were launched last week. For the third week running no fixed interest bond [illegible] Secondary market [illegible]

Of the two [illegible] the N[illegible] loan to 1996 which was increased to $75m to $125m, met with a good reception, but the $225m note for Ferrovie dello Stato was moving slowly.

With U.S. interest rates at their present high levels, it is surprising, on the face of it, that so few borrowers are tapping the FRN market. Bankers explain this by arguing that it is much cheaper for a good quality borrower to arrange a "club loan" than an FRN, at least if he wishes to borrow for up to five years. Beyond that, costs tend to average out somewhat.

A semblance of stability returned to the D Mark foreign bond sector after the sharp interest rate rises witnessed last month. This allowed the Capital Markets Sub Committee to agree to two new issues this month. The first, a DM 200m bond to 1991 for the EIB, was successfully placed thanks to what German bankers said was a record coupon for a public bond offering in this sector, 10½ per cent. The [illegible] Deutsche Bank, [illegible] buying accounted for more than half the total amount of the issue.

Selling pressure is still being felt on older D-mark foreign bonds with low coupons, but not so much on more recent issues. German dealers fear, however, that the relentless rise in domestic interest rates, not least because of the Federal Government's borrowing requirement, will make life difficult in the foreign bond sector.

While prices of foreign D-mark bonds slipped by only half of a point, prices of Swiss franc foreign bonds declined by ¾ of a point as a result of rising interest rates. The six-month EuroSwiss franc rate moved up by ¼ of a point to 9⅞.

The World Bank ran into difficulties last week when a Fl 200m bond it was offering was undersubscribed. It was the second time this had happened to this borrower since [illegible] skilful in borrowing at low rates — essentially in the Swiss franc and D-mark sectors—but [illegible] which is a voracious borrower —will also have to pay more for their money than hitherto.

The French franc sector is the one major exception to the general state of gloom. No sooner had the bond to 1986 for Solvay closed than a FFr 400m bond to 1986 carrying a coupon of 14½ per cent for BFCE was launched. Part of this issue was pre-placed in the Middle East, an area in which fund managers are still keen for such paper. The next borrower [illegible] Swedish Export Credit [illegible]

Annual figures compiled by Orion Bank show that the volume of fund reflows from interest and principal repayments into the Eurobond market will increase this year by 14.3 per cent to $17.6bn. The importance of these reflows is underlined by the fact that last year they accounted for 65 per cent of the figure for new issues of Eurobonds. This proportion was a much slimmer 34 per cent in 1976. These figures do include what Orion describes as "broadly offered" floating rate certificates of deposit.

U.S. BONDS

BY PAUL BETTS

Borrowers ready for the hour

A WINDOW appears to be opening again in the U.S. debt market and corporate borrowers are preparing to rush in with their long-delayed offerings before it closes again.

With interest rates slipping down last week, encouraging money supply figures with the latest weekly data showing a $1.3bn decline in the country's basic money supply, and the apparent decision of the Fed to put a 16 per cent cap on the Fed fund rate, bond prices moved tentatively upwards prompted also by some foreign buying.

But the overall mood of the market remains uncertain in view of widespread forecasts that U.S. interest rates will remain highly volatile throughout the year and with a generally pessimistic look for the U.S. economy as a whole.

The highly volatile character of the market has prompted the large Wall Street investment houses to advise corporate borrowers to turn to the market as soon as possible, before the U.S. Treasury again floods the market in the second half of the year to cover its heavy financing requirements. At the same time, the volatile nature of the market is putting a premium on timing for new corporate offerings.

Wall Street investment houses are thus also advising corporate treasurers to turn to the market at intermittent intervals making a series of smaller offerings rather than plunging in with one large new issue.

This is already happening. The Pacific Power and Light Company, for example, offered $75m of 15⅞ bonds this week which were well received by the market. Originally, the utility had intended to offer $125m of new bonds but decided to cut back the issue because of the market's volatility.

Union Carbide also filed with the Securities and Exchange Commission last week an issue of $150m 25-year convertible debentures, although the chemicals company at present has a registration statement with the SEC covering $200m of debentures which may be sold at a time yet to be determined.

Atlantic Richfield, the Los Angeles-based oil group, also became the latest major oil company to turn again to the debt market to finance its huge future capital expenditure programme. Although U.S. oil companies are expected to continue to report high earnings. Their capital expenditure are expanding at a much higher rate than earnings increases. Atlantic Richfield, for example, recently announced it planned to spend $25bn in the next five years and indicated, like other major oil groups, including Exxon, that it would have to turn to the debt market after a prolonged absence.

On Friday night, Atlantic Richfield filed a registration statement with the SEC covering a proposed public offering of $250m of 30-year debentures.

But the market is particularly excited by reports that American Telephone and Telegraph is planning to make a $600m medium-term debt offering in the near future. The company last tapped the market last year, with an offering of $600m of 10⅜ per cent 10-year notes. A T & T this weekend declined to confirm or deny the reports.

Last month, A T & T indicated it was interested in the Eurobond market as a possible additional source of financing, but had no firm plans to make such an offering.

U.S. INTEREST RATES (%)	Week to Mar. 6	Week to Feb. 27
Fed funds wkly. av.	18.08	15.20
3-month Treas. bill	14.32	14.10
3-month CD	15.35	15.45
Treas. 30-year bond	12.94	12.93
AAA utility	15.13	14.13
AA industrial	14.25	15.00

Source: Salomon Bros., estimates.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¾ 88	75	94¾	95¼	+0¼	+0¼	14.42
CECA 11½ 88	100	87⅞	88⅜	+0⅛	0	14.28
CNE 12⅛ 91	100	90⅝	91⅛	−0⅛	−0¼	14.50
Citicorp O/S Fin. 10 88	300	84⅞	85⅜	0	0	14.12
Citicorp O/S Fin. 12 87	200	90⅝	91⅛	0	+0⅛	14.17
Con. Illinois O/S 9⅝ 88	150	83⅜	83⅞	+0⅛	+0¼	14.31
Denmark 11¾ 90	100	84⅞	85⅜	0	+0⅛	14.77
Dupont Canada 13½ 91	65	95¼	95¾	+0¼	+0⅛	14.37
EEC 11 95 (May)	75	79⅜	79⅞	0	−0⅛	14.43
EEC 11 95 (August)	70	77½	78⅛	0	−0½	14.70
EIB 13¾ 90	100	96	96½	+0¼	−0⅛	14.48
Eksportfinans 9½ 87	75	81¾	82¼	+0⅛	0	13.91
Elec. de France 10 88	125	81¾	82¼	+0⅛	0	14.09
Elec. de France 13 88	125	94	94½	+0⅛	−0⅛	14.35
Export Dv. Cpn. 12¾ 87	100	93¾	94¼	+0⅛	+0⅛	14.24
Export Dv. Cpn. 9½ 86	150	83½	84	+0⅛	+0¼	14.35
Fin. Exp. Credit 10½ 85	50	87⅛	87⅝	+0⅛	−0½	14.59
Finland, Rep. of 9½ 86	100	82	82½	+0¼	+0¼	14.74
Ford Credit O/S 14⅝ 83	150	97⅛	97⅝	+0⅛	0	15.72
Ford Cr. O/S Fin. 16 84	150	102¼	102¾	0	+0⅛	14.86
Gaz de France 13½ 86	80	97⅜	97⅞	+0⅛	0	14.18
GMAC O/S Fin. 12 87	100	88⅞	89⅜	+0¼	+0⅛	14.70
GMAC O/S Fin. 12⅞ 88	100	91½	92	+0½	+0⅛	14.85
Gen. Mtrs. O/S 11¾ 87	100	88⅞	89⅜	+0⅛	+0⅛	14.43
GTE Fin. 13¾ 86 (WW)	50	98⅜	98⅞	+0¼	−0¼	14.20
Hudson's Bay 11½ 90	75	84⅞	85⅜	+0⅛	+0⅛	14.51
IBM Canada 10½ 85	50	95⅜	95⅞	+0⅛	+0⅛	11.89
IBM Wld. Trade 12½ 88	200	94⅜	94⅞	0	−0⅛	13.77
Newfoundland 13½ 90	60	94	94½	+0¼	+0⅛	14.88
Nova Scotia 10⅜ 90	50	81⅞	82⅜	+0⅛	+0⅛	14.36
OKB 10 85	50	86⅞	87⅜	−0⅛	−0⅛	14.10
Quebec Hydro 11½ 92	100	82⅞	83⅜	+0⅛	+0⅛	14.66
Queb. Hy. 13 91 (WW)	100	91½	92	+0⅛	+0⅛	14.61
[illegible] 11¼ 85	50	90½	91	0	+0⅛	14.24
SNCF 12⅛ 85	50	94⅛	94⅝	+0⅛	−0⅛	14.16
SNCF 13 91	75	83⅛	83⅝	−0⅛	−0⅛	14.25
Sven Handelsbk 13⅝ 88	45	96	96½	+0¼	+0⅛	14.85
Sweden 12⅝ 85	150	93⅞	94⅜	+0⅛	+0⅛	14.20
Swed. Ex. Credit 12 83	50	93⅝	94⅛	0	−0⅛	14.94
Swed. Ex. Credit 13 86	75	94⅝	95⅛	+0¼	0	14.51
Unilever NV 9⅝ 90	100	79⅛	79⅝	+0⅛	[illegible]	[illegible]
World Bank 9⅝ 85	200	87⅛	87⅝	0	0	13.77
World Bank 10⅜ 87	300	83⅞	84⅜	0	−0⅛	14.20

Average price change... On day +0⅛ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅜ 90	100	86⅞	87⅜	0	+0¼	10.57
Australia 8½ 90	250	90½	91¼	−0½	−1¼	9.69
Austria, Rep. of 8⅛ 92	150	87⅛	87⅞	−0⅛	+0⅛	10.12
BFCE 8½ 95	100	85½	86¼	0	+0½	10.05
CECA 7⅞ 92	150	85⅝	86⅜	−0½	+0¼	10.00
CII-Honeywell 8⅛ 90	125	88⅜	89	+0⅛	−0⅛	10.30
Denmark 8⅛ 92	100	88⅝	89⅜	0	+0⅛	9.94
EIB 8½ 91	200	90¼	91	−0⅛	−0⅛	10.05
ESCOM 9½ 87	100	91⅝	92⅜	−1⅛	−1⅛	10.88
Iberduero SA 9 90	100	90¼	91	+0⅛	−1⅛	10.60
Ind. Bk. Finland 8½ 90	80	85¼	86	+0¼	−1⅛	10.97
Japan Air Lines 8⅛ 87	100	90⅝	91⅜	+0¼	+0¼	10.02
Japan Dev. Bank 7⅝ 87	100	87⅝	88½	0	+0½	10.28
Kobe, City of 8 90	100	87¾	88½	0	+0¼	10.00
Midland Int. Fin. 8½ 90	120	90	90¾	+0⅛	−0⅛	10.09
Norway 7½ 85	250	92¼	93	0	+0⅞	9.88
Nuclebras 9⅛ 88	100	84	84¾	−1	−3⅛	13.11
OKB 8¼ 92	150	85⅝	86⅜	−0½	−0⅛	10.40
Oslo, City of 8⅛ 90	80	91¼	92¼	+0⅛	−0⅛	10.15
Venezuela, R. of 9⅛ 90	150	92¼	93	−0⅛	−0⅛	11.01
World Bank 8 90	700	86¼	87	−0¼	−1⅛	10.27
World Bank 10 86	150	100½	101¼	+0⅛	−0⅛	9.78
World Bank 10 90	200	99⅞	100⅝	+0¼	−0½	9.85

Average price changes... On day −0⅛ on week −0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria, Rep. of 5⅛ 90	100	89¼	89½	−0¼	−0⅞	6.94
BFCE 6½ 91	100	101	101¼	−0⅛	+0⅛	6.34
Bayer Int. Fin. 5¾ 92	100	90⅛	90⅞	+0⅛	−0½	6.41
Bergen, City of 6 90	60	93⅞	94	−0⅛	−2	6.91
Buhrm'n-Tetterode 7 90	40	100¼	100½	−0½	−0⅛	6.94
Copenhagen Tele. 5⅞ 90	60	†90½	91	+1⅛	−0⅞	7.11
Denmark 5⅝ 90	80	88½	88¾	+0¼	−0⅛	7.48
Dome Petroleum 5⅞ 91	100	92⅞	93⅛	+0⅛	−0½	6.70
Elet. de France 5⅞ 90	100	90½	90¾	+1⅛	−1⅛	6.60
Eurofima 5¾ 92	80	†99	99½	−1¼	−1¼	5.84
F. G. H. Hypo. Bk. 6 90	60	†95½	96	−0¼	+0½	6.62
Finland, Rep. of 5⅛ 90	80	89⅝	89⅞	0	−0⅞	7.15
Int.-Amer. Dev. 7 90	80	99⅞	100⅛	−0⅛	−0⅝	7.00
Japan Dev. Bank 5⅞ 90	100	93	93¼	−0½	−1⅛	6.74
Jutland Tele. 5½ 90	50	†90½	91	+0½	−0½	6.92
Mt. Blanc Tunnel 5½ 90	60	91¼	91½	−0⅛	−1⅛	6.76
Newaq 5⅜ 90	80	93	93½	−0⅛	−0⅛	6.74
Norges Komm. 4⅞ 91	100	87¼	87⅝	+0½	+1½	6.73
OKB 4⅝ 91	100	82	82¼	+1	+0⅛	6.79
OKB 6 90	100	95¼	95½	+0⅛	−1½	6.88
Oslo, City of 4⅞ 91	100	81¾	81⅞	+0⅞	−0⅛	6.92
Oslo, City of 5⅞ 90	80	94	94¼	+0⅛	−0⅛	6.72
Philips Lamps 5⅞ 92	100	88¼	88⅝	0	−1⅞	6.72
Sekisui Pre. Hms. 6 90	80	93½	93¾	−0½	−1	6.95
Shikoku El. Pwr. 4⅛ 89	100	†86½	87	+0¼	−4⅛	6.86
Trade Dev. Fin. 6⅛ 90	50	98⅝	99⅛	+0⅞	+0⅛	7.04
Voest-Alpine 5⅝ 90	80	90¼	90⅝	−2¼	−3¼	7.13
World Bank 6 91	100	94⅞	95	0	−0⅛	6.72

Average price changes... On day +0⅛ on week −0⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	91⅛	92¼	0	0	9.03
Australia 6½ 88	20	87¾	88½	0	−0⅛	8.92
EIB 7⅛ 89	12	92⅝	93⅝	0	−0¼	8.93
Finland 5.6 83	10	91	92	+0¼	0	9.31
Finland 6.8 88	10	86⅞	87⅞	−0⅛	−0⅛	9.30
Finland, Rep. of 8⅛ 87	15	96½	97½	0	+0⅛	9.01

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅜ 86 C$	60	91	91⅝	0	−0⅛	12.88
CIBC 13½ 85 C$	50	†97¼	98	+0¼	−0¼	14.24
CIBC 11½ 85 C$	60	†91½	92¼	−0⅛	−0⅛	14.06
Federal Dev. 11½ 90 C$	60	†85½	86½	0	−10	14.27
Fst. Can. Inv. 10 84 C$	50	†88¼	89	0	−0½	14.67
R. Bk. Canada 10 86 C$	40	91¼	92¼	−0¼	+0⅛	12.21
Tordom Cpn. 13½ 85 C$	30	†97½	98¼	−0⅛	−0⅛	14.16
M. Bk. Dnmk. 9 91 EUA	25	89½	90½	0	+0⅛	10.57
SOFTE 8⅛ 89 EUA	40	86	87	0	0	10.83
U. Bk. Nrwy. 9½ 90 EUA	18	97	98¼	+0⅛	−0⅛	9.91
Algemene Bk. 10¼ 86 Fl	80	95⅛	95⅝	−0⅛	−0½	11.52
Bk. Mees & H. 10 85 Fl	75	96¾	97¼	−0¼	−0⅛	10.86
Heineken NV 10 87 Fl	100	94⅝	95⅛	0	+0⅛	11.74
Nat. Nedrlndn. 10 88 Fl	60	93¼	93¾	−0⅛	+0⅛	11.40
Ned. Midd. Bk. 10 85 Fl	75	97⅞	98⅜	+0⅛	+0⅛	10.51
Pierson 10⅛ 86 Fl	50	97½	98	+0⅛	+0⅛	10.86
Aero Paris 13½ 87 FFr	150	93⅞	94⅜	+0⅛	−1	14.63
Charb'nages 13⅞ 85 FFr	400	97½	98½	+0⅛	+0⅛	14.73
CECA 14⅛ 88 FFr	150	97⅜	98⅛	+0⅛	+0⅛	14.74
EIB 14⅛ 88 FFr	300	97⅝	98⅝	0	−0½	14.54
Finland 11 84 FFr	80	88⅞	89⅞	+0⅛	−0⅛	14.95
Gaz de France 11 84 FFr	150	90½	91⅛	+0⅛	−0⅛	14.32
La Redoute 14⅛ 85 FFr	125	94⅝	95⅝	+0⅛	+0⅛	15.93
OKB 14 86 FFr	400	97½	98½	+0¼	−0⅛	14.58
Utd. Mex. Sts. 14 85 FFr	150	96⅜	97⅜	+0⅛	−0⅛	14.99
Acena 14 85 £	20	94⅜	95½	+0⅛	−0½	15.47
Beneficial 14⅛ 90 £	20	93⅝	94⅛	−0⅛	−0⅛	15.50
BNP 13½ 91 £	15	95⅞	96⅝	−0⅛	−0½	14.71
CECA 13½ 88 £	20	96	96⅝	0	−0⅛	14.76
Citicorp O/S 13½ 90 £	50	95⅜	96⅛	−0⅛	−0⅛	14.36
Fin. for Ind. 14½ 88 £	20	99⅜	100¼	0	−0½	14.56
Fin. for Ind. 13¾ 87 £	20	97⅜	98⅛	+0⅛	−1	14.25
Gen. Elec. Co. 12⅛ 89 £	50	93¼	94⅛	0	−0⅛	13.75
Peugeot SA 14 90 £	23	93½	94⅛	+0⅛	−0⅛	15.22
Rothschild 14¼ 90 £	12	98	98¾	−0⅛	−0⅛	14.53
Royal Trustco 14 86 £	12	99	99¾	0	−0⅛	14.18
Swed. Ex. Cr. 15¼ 85 £	20	102⅛	103	0	−1⅛	14.33
Banobras 8⅛ 90 KD	7	†89½	90	0	0	10.01
CCCE 8⅛ 91 KD	10	†82½	83	0	0	11.05
Sonatrach 8½ 90 KD	12	†92	92½	0	0	9.83
Akzo 9¼ 87 LuxFr	500	86½	87½	−1½	−2	12.19
Euratom 9⅛ 88 LuxFr	500	88⅞	89⅞	−0⅛	−1⅛	12.11
Eurofima 10½ 87 LuxFr	500	95¼	96¼	−0⅛	−0⅛	11.42
EIB 9⅝ 88 LuxFr	600	90½	91½	0	−1⅛	11.71
Volvo 9⅛ 87 LuxFr	500	88⅛	89⅛	−1⅛	−1⅛	12.25

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5⅛ 87	0¼	98½	99	2/7	16⅛	16.84
Bank of Montreal 5⅛ 90	0¼	99⅝	100⅛	18/6	19½	19.52
Bank of Tokyo 5⅛ 89	‡0⅛	98⅝	99⅛	25/4	19.31	19.53
BBL Int. 5 86	0⅛	98⅝	99⅛	20/5	16½	16.67
Bergen Bk. A/S 6 89	‡0¼	†98⅛	98⅝	29/5	17⅛	17.39
BNP 5½ 88	‡0⅛	99½	100	29/4	18.69	18.73
CNT 5¼ 86	§0¼	99	99½	16/4	13¼	13.33
Christiania Bk. 5½ 91	‡0⅛	97½	98	5/5	17⅛	18.16
Citicorp O/S F. 94	‡0	99	99½	31/3	16.81	16.94
C. Itoh 5¼ 87	0⅛	99⅛	99⅝	18/3	12⅞	12.96
Co-operative Bk. 6 86	0⅛	97½	98	15/5	15⅛	15.60
Den Norske Credit 6 90	‡0¼	98⅛	98⅝	5/5	17⅛	18.02
Genfinance 5⅛ 87	0⅛	98⅞	99⅜	30/4	15⅛	15.26
Giro und Bank 5⅛ 91	‡0⅛	98⅝	99⅛	23/3	20½	20.73
GZB 5½ 89	‡0⅛	98⅝	99⅛	1/5	17⅞	18.06
Ind. Bank Japan 5⅛ 87	0⅛	98⅝	99⅛	15/4	13.31	13.46
Ind. Bank Japan 5⅛ 88	0⅛	98⅜	98⅞	9/4	13⅛	13.31
Lloyds Eurofin 8 90 £	0⅛	96⅞	97⅜	3/7	14½	14.93
Lloyds Eurofin 5⅛ 92	0⅛	98	98½	4/6	17⅛	17.56
LTCB Japan 5⅛ 86	0⅛	100¼	100¾	13/8	20.19	20.09
Man. Hanov. O/S 5⅛ 94	‡0⅛	98¼	98¾	30/5	17	17.26
Midland Intl. Fin. 5 89	0⅛	99⅞	100⅜	30/6	19.56	19.54
Midland Intl. Fin. 5⅛ 92	0⅛	98⅜	98⅞	5/6	17.19	17.43
Nacional Fin. 6⅛ 88	0⅛	98⅞	99⅜	25/7	17⅛	17.91
Nat. West. 5⅛ 94	§0⅛	97½	98	14/4	13⅛	13.55
Nat. West. 5⅛ 92	§0⅛	97⅝	98⅛	23/4	13.89	13.99
Nippon Credit 5⅛ 87	‡0⅛	99½	100	6/5	17.44	17.48
Sparebanken 6 87	0⅛	98⅝	99⅛	19/6	19⅞	20.10
Standard Chart. 5⅛ 90	0⅛	98⅞	99⅜	3/9	17.06	17.23
Svenska Hndlsbk. 6 87	0⅛	99⅛	99⅝	15/7	17.81	17.92
Bq. Ex. d'Alg. 4⅞ 89 SF	0⅛	†91	91½	18/6	7½	8.22

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	98⅝	99⅜	−0⅛	37.08
Canon 6⅛ 95	1/81	829	109½	110½	−2	6.19
Credit Suisse 4⅞ 93	10/79	1278	94	96	−2⅛	−6.59
Digicon Fin. 8½ 95	10/81	29.5	†97½	99	0	9.87
Enserch Fin. 8⅝ 94	7/80	30.25	†162	163	−0½	−2.16
Hanson O/S Fin. 9½ 95	1/81	1.92	106¼	107¼	+0⅛	−2.44
Ina Overseas 8⅛ 2000	4/81	42	†99¼	100¼	+0⅛	8.12
Inchcape Ltd. 8 95	2/81	4.55	91⅛	92⅛	−0⅛	2.08
Jaccs 7½ 95	11/80	565	129⅜	130⅜	−1⅛	2.99
Marion Int. Fin. 9 95	12/80	23.25	†86½	87½	−0⅛	61.82
Matsushita El. 7⅛ 95	11/80	990	100½	101½	−0½	5.72
MEPC 8⅛ 96	2/81	2.47	97⅞	98⅞	−1⅛	11.13
Niigata Eng. 7½ 96	1/81	327	†100	101	−0⅛	5.46
Nissho-Iwai Co. 8 96	10/80	398	90⅛	91⅛	−1¼	−2.43
Ricoh 6⅛ 95	8/80	604	110¼	111¼	−2⅛	−0.74
Sumitomo M. Ind. 7 95	2/81	181	†110	111	−0⅛	4.39
Swiss Bk. Cpn. 6⅛ 90	9/80	200	84	86	0	16.22
Taylor Woodrow 8⅛ 90	1/81	4.94	95⅞	96⅞	−0⅛	4.96
Transco Int. 8⅛ 95	2/81	88	†86	87	−1⅛	29.27
Tricorp 8½ 95	12/80	31.25	†89⅝	90⅝	−1⅛	9.63
Union Bk. Switz. 5 89	2/80	121.4	82½	84½	0	−14.07
Fujitsu 5 84 DM	7/79	431.5	124⅛	125⅛	−3⅞	−3.96
Sharp Cpn. 6½ 86 DM	9/80	595	142	143	−1⅞	−4.44
Uny Co. 6½ 85 DM	11/79	987.3	107½	108½	+0⅛	14.83

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	1,722.8	3,486.8
Previous week	1,306.6	3,144.0
Other bonds		
Last week	604.5	582.3
Previous week	835.4	613.7

* No information available—previous day's price.
† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on March 6

WORLD STOCK MARKETS

NEW YORK

[illegible]

CANADA

[illegible]

HOLLAND

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

ITALY

[illegible]

NORWAY

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

GERMANY

[illegible]

AUSTRALIA

[illegible]

SOUTH AFRICA

[illegible]

Financial Rand US$0.88 (Discount of 36%)

BRAZIL

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

FRANCE

[illegible]

DENMARK

[illegible]

SINGAPORE

[illegible]

TEL AVIV

[illegible]

Indices

NEW YORK —DOW JONES

	Mar. 6	Mar. 5	Mar. 4	Mar. 3	Mar. 2	Feb. 27	1980/81 High	1980/81 Low	Since Cmpil't'n High	Since Cmpil't'n Low
♦Industr'ls	964.62	984.62	971.44	968.02	977.99	974.58	1004.69 (6/1/81)	759.13 (21/4)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	62.12	62.16	62.14	61.95	62.14	62.04	76.61 (23/6)	60.98 (18/12)	—	—
Transport.	403.73	404.40	404.34	395.97	396.70	392.34	425.68 (28/11)	233.69 (27/3)	425.68 (28/11/80)	12.23 (8/7/32)
Utilities	108.11	108.15	108.37	108.08	108.11	106.45	117.81 (6/1/81)	95.04 (27/3)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's†	43,940	46,390	47,280	48,730	47,710	53,210	—	—	—	—

♦Day's high 972.13 low 955.71

	Feb. 27	Feb. 20	Feb. 13	Year ago (approx)
Ind. div. yield %	5.66	5.87	5.87	6.02

STANDARD AND POORS

	Mar. 6	Mar. 5	Mar. 4	Mar. 3	Mar. 2	Feb. 27	1980/81 High	1980/81 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	147.32	147.42	148.53	148.24	150.12	149.27	160.96 (28/11)	111.09 (27/7)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	129.85	129.93	130.86	130.56	132.01	131.27	140.52 (28/11)	98.22 13/2/80	140.52 (28/11/80)	4.40 (1/6/32)

	Mar. 4	Feb. 25	Feb. 18	Year ago (approx)
Ind. div. yield %	4.63	4.46	4.67	5.14
Ind. P/E Ratio	9.27	9.11	9.11	7.95
Long Gov. Bond Yield	12.87	12.75	12.68	12.32

N.Y.S.E. ALL COMMON

Mar. 6	Mar. 5	Mar. 4	Mar. 3	1980/81 High	1980/81 Low
74.46	74.51	74.98	74.63	81.02 (28/11)	55.30 22/1/80

Rises and Falls	Mar. 6	Mar. 5	Mar. 4
Issues Traded	1,879	1,910	1,876
Rises	783	719	795
Falls	685	769	680
Unchanged	411	422	401
New Highs	—	74	68
New Lows	—	11	13

MONTREAL

	Mar. 6	Mar. 5	Mar. 4	Mar. 3	1980/81 High	1980/81 Low
Industrials	365.82	363.50	362.57	360.84	423.80 (29/2/80)	323.31 (27/3)
Combined	345.89	345.31	344.77	345.02	378.98 (20/10)	296.90 (27/3)
TORONTO Composite	2190.1	2181.4	2175.3	2167.8	2402.2 (28/11)	1702.5 (27/3)

	Mar. 6	Mar. 5	Mar. 4	Mar. 3	1980/81 High	1980/81 Low
AUSTRALIA All Ord. (1/1/80)	647.1	648.2	646.8	642.6	748.2 (17/11)	509.1 (5/1/80)
Metal & Minrls. (1/1/80)	558.2	559.0	559.6	554.9	818.0 (17/11)	492.3 (28/3)
AUSTRIA Credit Aktien (2/1/62)	63.26	63.19	63.57	63.51	69.49 (7/1/80)	63.19 (6/3/81)
BELGIUM Belgian SE (31/12/63)	83.06	83.28	83.38	84.48	105.76 (11/2/80)	82.42 (7/1 81)
DENMARK Copenhagen SE (1/1/73)	107.93	107.17	106.07	105.21	107.93 (6/3/81)	74.76 (5/5)
FRANCE CAC General (29/12/61)	110.8	110.2	110.0	110.0	120.3 (5/11)	97.1 (3/1/80)
Ind Tendance (31/12/80)	103.7	102.8	102.3	102.4	103.7 (6/3/81)	95.4 (27/1/81)
GERMANY FAZ-Aktien (31/12/58)	216.5	217.43	219.43	217.46	258.89 (25/2/80)	212.73 (29/3)
Commerzbank(Dec.1953)	668.7	670.7	674.6	669.9	749.2 (25/2/80)	666.4 (16/2/81)
HOLLAND ANP-CBS General (1970)	87.3	88.0	87.9	88.5	90.6 (26/2/81)	74.6 (27/3)
ANP-CBS Indust. (1970)	64.0	64.3	64.8	65.1	68.2 (11/1/80)	58.2 (28/3)
HONG KONG Hang Seng Bank (31/7/64)	1390.66	1392.46	1458.86	1420.03	1654.57 (13/11)	738.9 (19/3)
ITALY Banca Comm. Ital (1972)	233.41	227.26	232.88	235.10	238.47 (2/3/81)	85.11 (2/1/80)
JAPAN Dow Average (16/5/49)	7081.19	7094.05	7164.33	7137.12	7322.06 (2/2/81)	6475.93 (27/3)
Tokyo New SE (4/1/68)	509.26	509.16	510.19	508.80	511.94 (2/2/81)	449.01 (10/3)
NORWAY Oslo SE (1/1/72)	122.0	122.50	124.18	123.29	144.70 (14/2/80)	119.12 (28/3)
SINGAPORE Straits Times (1966)	818.99	806.16	791.80	789.57	818.09 (6/3/81)	429.75 (3/1/80)
SOUTH AFRICA Gold (1958)	—	562.8	574.7	583.3	1026.1 (22/9)	496.5 (18/3)
Industrial (1958)	—	583.1	584.8	566.0	680.6 (6/11)	456.0 (2/1/80)
SPAIN Madrid SE (30/12/80)	111.57	111.04	111.85	112.85	114.26 (17/2/81)	100.0 (30/12/80)
SWEDEN Jacobson & P. (1/1/58)	475.05	471.62	471.15	475.30	475.30 (18/2/81)	334.72 (17/1/80)
SWITZERLAND Swiss BankCpn.(31/12/58)	294.8	284.6	296.4	294.0	317.8 (11/2/80)	275.0 (28/3)
WORLD Capital Intl. (1/1/70)	—	152.9	153.9	152.4	164.8 (28/11)	128.5 (27/3)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 industrials plus 40 Utilities. 40 Financials and 20 Transports. (c) Closed.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Mobil	1,241,900	[illegible]	+2¾
Amax	941,000	[illegible]	+ ⅛
Sears Roebuck	780,900	[illegible]	−1⅛
St. Oil Calif.	651,200	[illegible]	− ⅛
General Motors	619,100	[illegible]	−1⅛

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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	Junior Fashion Fair (01-636 1533) (until March 11)	New Horticultural Hall, London
Mar. 10-13	International Powder Technology and Bulk Solids Exhibition and Conference (01-486 3741)	NEC, Birmingham
Mar. 10-21	Chelsea Antiques Fair (0727 55069)	Old Town Hall, Chelsea
Mar. 10-Apr. 4	"Daily Mail" Ideal Home Exhibition (01-353 4000)	Earls Court
Mar. 11-12	Microsystems '81 Exhibition (01-643 8040)	Wembley Conference Centre
Mar. 16-20	International Engineering Inspection and Quality Control Exhibition—INSPEX (01-643 8040)	NEC, Birmingham
Mar. 17-19	Drawing Office Show—DOMMDA (01-242 3621)	Wembley Conference Centre
Mar. 19-27	Foundry International Exhibition (0737 68611)	NEC, Birmingham
Mar. 20-29	Camping and Outdoor Leisure Exhibition (01-262 2886)	Battersea Park
Mar. 22-25	Careers 81 Exhibition (01-464 4129)	Royal Horticultural Halls, London
Mar. 22-26	British Exhibition of Fine Jewellery and Sterling Silver (01-493 7628)	Goldsmiths' Hall
Mar. 29-Apr. 1	Fashion Fabrics Exhibition (01-385 1200)	Olympia
Mar. 30-Apr. 1	Numerical Control Equipment Exhibition and Conference (01-679 9411)	Wembley Conf. Centre
Apr. 5-8	Glass and Glass Technology Exhibition—GLASSEX (0378 77866)	NEC, Birmingham

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Grand National Exhibition (Telex 68306 EXPO EM) (until March 13)	Sharjah
Current	International Agricultural Exhibition (01-439 3964) (until March 15)	Paris
Mar. 13-15	International Children and Young People Trade Fair (01-409 0956)	Cologne
Mar. 13-17	Travel and Vacation Exhibition (01-456 1951)	Helsinki
Mar. 14-22	Boats, Sports and Recreation Exhibition—BSF (01-540 1101)	Berlin
Mar. 15-21	International Spring Fair (01-493 3111)	Leipzig
Mar. 18-22	Garden Equipment Exhibition (01-236 0911)	Stuttgart
Mar. 23-27	International Hospital Equipment Exhibition—MEDICA (01-499 1951)	Utrecht
Mar. 24-27	International Computing Exhibition—COMPUTEX (Dublin 763871)	Dublin
Mar. 30-Apr. 4	International Water Supply Fair (01-540 1101)	Berlin
Apr. 1-12	Spring Fair (01-935 8200)	Jeddah
Apr. 4-8	International Exhibition of Women's Ready-Made Clothing and Boutique (01-439 3964)	Paris
Apr. 6-10	Instruments and Measurements Exhibition (01-874 6034)	Stockholm
Apr. 7-11	International Food Fair, Hotel, Restaurant and Catering Fair and Food Technical Exhibition (01-540 1101)	Copenhagen

BUSINESS AND MANAGEMENT CONFERENCES

Mar. 9	IRS/IPM: The new employment law: do you have all the facts? (01-387 2844)	Dragonara Hotel, Leeds
Mar. 10-12	FT Conference: Tomorrow's Technology—society's master or servant (01-621 1355)	Gloucester Cathedral
Mar. 11-13	The Institute of Information Scientists: Information Technology and People (0734 861345)	City of London Polytechnic
Mar. 12	The Industrial Society: Work and the Community (01-262 2401)	Chiswell St., EC1
Mar. 16	The City University: The Banking and financial activities of the City of London (01-606 1807)	Gresham College, EC2
Mar. 16-17	MSS: Appreciation of Systems Analysis and Design (0903 34755)	Worthing
Mar. 17-19	Interbuild: The International Fish Farming Conference and Exhibition (0273 775432)	Metropole Centre, Brighton
Mar. 19	IPS: Importing—success and disaster (0990 23711)	New Berners Hotel, London
Mar. 23-25	The Textile Institute: The Fabric Revolution (061-834 3457)	York University
Mar. 24	Institute of Directors: Leading the Recovery—the Responsibility is Ours (01-839 1233)	Pall Mall, SW1
Mar. 24-25	Charles Simeons Conferences: Improving management control (0582 30965)	St. Ermins Hotel, SW1
Mar. 24	Oyez-IBC: The 1981 Television Planning, Buying and Selling seminar (01-242 2481)	The Princess Anne Theatre W1
Mar. 24-27	Strathclyde University: Health Education and the Media (041-552 4400)	Edinburgh
Mar. 25	British Franchise Association: How to Franchise a Successful Business (0753 653546)	Café Royal, W1
Mar. 25	FT Conference: South Australia — Resources Development Symposium (01-621 1355)	Grosvenor House, W1
Mar. 25-26	AODC: Underwater Engineering Symposium (01-549 5831)	Aberdeen
Mar. 25-26	FT Conference: Investment in Canada's Resource Development (01-621 1355)	Toronto
Mar. 26	The Institution of Mechanical Engineers: Fluid Machinery for the Oil, Petro-Chemical and Related Industries (01-222 7899)	The Hague
Mar. 31	Oyez Performance Bonds and Guarantees: The Perils for Bankers and Insurers (01-242 2481)	Royal Lancaster Hotel, W2
Apr. 1-3	National Engineering Laboratory: Seminar on CAD/CAM systems in mechanical engineering (03552 20222)	East Kilbride

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

APPOINTMENTS

Citibank managing directors

Two managing directors have been created at CITIBANK SAVINGS, the consumer savings-and-loans arm of Citibank N.A. in the UK. Mr. Paul Coisen, vice-president, heads the retail banking operation and Mr. Patrick Boylan, vice-president, the card products division. Mr. Boylan has also been made a main Board director of Citibank Savings. The following have been promoted vice-president: Mr. David Parks (marketing director); Mr. John Harper (group finance director); and Mr. Michael Payne (operations director).

★

LONDON AND LIVERPOOL TRUST has made the following executive changes. Mr. Jeffrey H. Bonas has been appointed joint managing director, responsible to Mr. Ronald A. Shuck, executive chairman.

Two subsidiaries have been formed:—Hiatt and Company; and Regent Precision Engineering Company. The directors of Hiatt and Company are Mr. Shuck, Mr. Bonas, Mr. Harry La Trobe, Mrs. Mary La Trobe, Mr. Peter La Trobe and Mr. Colin Reeves. The directors of Regent Precision Engineering Company are Mr. Shuck, Mr. Bill O'Donnell, Mr. Steve Steadman, Mr. Bonas and Mr. Reeves.

Mr. Reeves, who has been with the Regent Autocar Company for 19 years, has been appointed managing director of that company, which remains part of the LLT Group.

★

Mr. Norman Parker has been appointed a director of P. C. HENDERSON GROUP and will become group chief executive in succession to Mr. Bernard Henderson on April 1.

★

The Trade Secretary has appointed Councillor Mrs. A. Phillips as chairman of the NORTH EASTERN ELECTRICITY CONSULTATIVE COUNCIL from March 1 until February 28, 1984.

★

The Energy Secretary has appointed Dame Margaret Weston as a part-time member of the SOUTH EASTERN ELECTRICITY BOARD for three years from February 23. She is the director of the Science Museum in London.

★

The NATIONAL COAL BOARD has appointed Mr. W. G. Jensen director of the European Community Unit being established in the course of reorganisation of the Board's international relations. He will continue to be based in Brussels where he has been the NCB's representative since 1973. Mr. Jensen will be effective head of relations with the Commission of the European Communities and with Community coal producers in succession to Mr. B. V. Findlay who has retired.

★

Mr. Leon Page has joined the Board of LWT (HOLDINGS). He is joint managing director of Page and Moy, a specialised tour operating company in the LWT Group.

★

Mr. Robin Scott, formerly deputy managing director of BBC Television, has joined the Board of London Weekend Television as a non-executive director.

★

Mr. Peter Dunican has been reappointed chairman of the NATIONAL BUILDING AGENCY.

★

Mr. William Harold Sidgwick has been elected local chairman of the Leeds unit of the STOCK EXCHANGE.

★

Following the recent reorganisation of the LOW AND BONAR GROUP, Dundee, Mr. W. Gillespie has been appointed managing director, Low and Bonar Group (Australia) Pty., and chairman of its subsidiary, Low and Bonar Stanger. Mr. Brian Gilbert, Low and Bonar group chief executive, becomes chairman of the new Canadian holding company, Low and Bonar Canada, with Mr. E. G. Campbell as president and general manager. Mr. H. C. Bowron, the group's European regional director, has been appointed chairman of the two UK textile subsidiaries, Flotex and Low and Bonar Textiles.

★

LOUVIGNY MUSIC COMPANY and Hertford Record Productions have appointed Mr. John Reed as managing director of both companies. The other directors are Mr. Hubert Terheggen, Sir John Rodgers and Mr. Gust Graas.

★

Mr. Paul Hyde-Thomson, chairman of Ibstock Johnsen and Ibstock Building Products, is to be the next president of the NATIONAL COUNCIL OF BUILDING MATERIAL PRODUCERS. He will succeed Mr. Basil Gwyn following the annual meeting on April 2.

★

At TOSHIBA (UK) the managing director Mr. Kenichiro Hiyama has been promoted to chairman. He is succeeded as managing director by Mr. Toshihide Yasui who joins Toshiba (UK) from Toshiba Hawaii where he was president.

★

Mr. Colin Bexon has been appointed managing director of MANAGEMENT SELECTION, one of the MSL group of companies. He was previously director and general manager. Mr. Brian Woodrow has been appointed managing director of MSL Advertising Services. Mr. W. Elton Davies, previously executive chairman, remains as non-executive chairman.

★

Mr. B. L. A. Needler (international financial controller) and Mr. F. T. Morgan (secretary) have been appointed directors of THOMAS MEADOWS INTERNATIONAL. Mr. A. E. Smith (UK financial controller) has been appointed a director of Thomas Meadows United Kingdom Holdings.

★

Mr. Henry Revell has been appointed chief engineer of the PORT OF LONDON AUTHORITY. He succeeds Mr. Jim Petrie who has retired.

★

Mr. Michael Hunton and Mr. C. D. Johnson have been appointed directors of ASSOCIATED CONTAINER TRANSPORTATION representing The Charente Steam-Ship Company. They succeed Mr. Marcus Graham and Mr. Gordon Reid who have retired. Mr. Hunton and Mr. Johnson are both directors of The Charente Steam-Ship Company and of Thos and Jas Harrison.

★

Mr. Charles Davidson has been appointed non-executive chairman of THE BIRMINGHAM MINT from April 1, when the present chairman, Dr. Basil Bard, will retire. Mr. Davidson recently retired as commercial director of Lucas Industries and is also a non-executive director of Birmingham Post and Mail Holdings.

★

Mr. Michael Thompson, assistant group chief executive of Lloyds Bank, has been appointed a director of LLOYDS AND SCOTTISH, succeeding Sir Michael Wilson on his retirement.

★

Mr. Edward J. Hollock has been appointed managing director and Mr. John Haynes has become a director of CONNER PACKAGING, a member of the Scotcros group.

★

Mr. J. M. Green and Mr. Paul McCarthy have been elected directors of FIELDING JUGGINS MONEY AND STEWART. Mr. Tony Brotzel has become an assistant director.

★

Mr. I. S. Barr has been appointed group treasurer of STONE-PLATT INDUSTRIES, reporting to Mr. J. P. Oratis, controller of finance. Mr. Barr is currently treasury manager at ICI, Millbank.

Week's business in the Commons and the Lords

Commons—Guillotine motion on Transport Bill. Appropriation (Northern Ireland) Order.

Lords—Gas Levy Bill (Money) second reading and committee. House of Commons Members Fund and Parliamentary Pensions Bill, second reading. Industry Bill, report. Matrimonial Homes and Property Bill, second reading. Interpretation of Legislation Bill, second reading. Short debate on EEC rights of residence.

Select Committees—Education. Subject: Funding of arts. Witnesses: Lord Redcliffe-Maude, Theatres National Council. 4 pm Room 6. Public Accounts. Subject: Regional incentives. Witnesses: Sir Peter Carey, Perm. Secretary Department of Industry; Dr. R. McCrone, Sec. of Scottish Economic Planning Department; Mr. T. Hughes, Permanent Secretary of Welsh Office. 4 pm Room 16.

TUESDAY

Commons—Budget statement. Motion on Local Government, Planning and Land (NI) Order. Opposed private business.

Lords—Wildlife and Countryside Bill, report. Carriage by Air Acts (Application of Provisions) (Third Amendment) Order.

WEDNESDAY

Commons—Budget debate.

Lords—Debate on competitiveness of British Industry in world markets. Coupled with debate on competitiveness of British industry, the Warner Report. Licensing (Amendment) Bill, second reading.

Select Committees—Foreign. Subject: Foreign affairs matters. Witness: Lord Carrington, Foreign Secretary. 10 am Room 15. Education. Subject: Secondary school curriculum and examinations. Witnesses: TUC, CBI. 10.30 am. Room 8.

Industry and Trade. Subject: Effects of British Steel Corporation's Corporate Plan. Witness: Mr. Ian MacGregor. 10.45 am. Room 16.

Public Accounts. Subject: Accounting arrangements for Magistrates Courts. Witness: Sir Brian Cubbon, Permanent Under Secretary, Home Office. 4 pm. Room 16.

Employment. Subject: Department of Employment Group. Witness: Training Services Division, Manpower Services Commission. 4.30 pm. Room 8.

European Legislation. Subject: Common Agricultural Policy Price Proposals 1981/82. Witness: Mr. Peter Walker, Minister of Agriculture. 4.30 pm. Room 15.

Social Services. Subject: Medical Education. Witnesses: British Medical Association. 4.30 pm. Room 21.

THURSDAY

Commons—Budget debate.

Lords—Industry Bill, third reading. Wildlife and Countryside Bill, report. Town and Country Planning (Minerals) Bill, third reading.

Select Committees—Agriculture. Subject: Animal welfare in pig, poultry and veal calf production. Witnesses: Miss Janet Graham, Mrs. Ann Stamper and Mrs. Mary Clark Glass. 11 a.m. Room 16.

Foreign, Overseas Development Sub-committee. Subject: Brandt Report. Witnesses: Foreign and Commonwealth Office and Overseas Development Administration officials. 4.30 pm. Room 16.

FRIDAY

Commons—Private members' motions.

Mr. D. J. Moreton will be retiring from the partnership of GRIEVESON GRANT AND CO., stockbrokers, on March 24.

★

Mr. Michael A. Amies has been appointed to the Board of KALAMAZOO. Mr. Amies joined the company in 1959 and he is also chairman of its subsidiary in Eire, David Millard.

★

Mr. Francis Bruguiere, chief executive of Habitat France S.A. and Mr. Christopher Turner, chief executive of Habitat Designs, have joined the Board of the parent company HABITAT DESIGN HOLDINGS.

★

Mr. David A. Lindner has been appointed to the Board of SOUTH ESSEX MOTORS, of Basildon.

★

Dr. Donald Sheridan, vice-president and chief geologist of Marathon Mining Ireland, has been appointed managing director of ATLANTIC RESOURCES, the new Irish off-shore oil company. Dr. Tony O'Reilly is chairman.

★

Mr. Chris Cotterell has been elected president of the TIMBER TRADE FEDERATION. He is a director of Machin and Kingsley.

★

Mr. C. C. Anthony Glossop, an executive director of REDMAN HEENAN INTERNATIONAL, has been appointed chairman of Fielding and Platt and of Redman Broughton, two of its operating companies. Mr. J. Ramsay Spence, a non-executive director of RHI, is to become an executive director on the main Board, and he has also been made chairman of six operating companies, Redman Fisher Engineering; Salt Engineering Company (Coventry); Mercia Engineering; Redman Engineering; Precision Engineering (Worcester) and its subsidiary, Computer Graphics. They will take up their new positions on April 1.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Berisford (S. and W.), Tower Hotel, St. Katherine's Way, E. 12.00
Glanfield Lawrence, 407, High Road, North Finchley, N. 12.00

BOARD MEETINGS—
Finals:
Farmer (S. W.)
Green (R.) Props.
Merchants Tst.
Neil and Spencer
Interims:
Galliford Brindley
Murray Glendevon Inv. Tst.
Parker Knoll
Scholes (George H)

DIVIDEND & INTEREST PAYMENTS—
Associated British Foods 1.2p
Bett Brothers 1.9p
Calcutta Electric Supply Corp. (India) R0.60. Pf. 3½pc
Mercantile House 5p
Rockwell Intnl. Corp. 35cts
Sizewell European Inv. Tst. 0.75p
Stroud Riley Drummond 1p
Wellman Engineering Corp. 1.6p

TOMORROW

COMPANY MEETINGS—
Brooke Tool Engineering, Great Eastern Hotel, Liverpool Street, EC. 2.30
Countryside Properties, Wincrester House, 77 London Wall, EC. 11.00
Eastern Intnl. Inv. Tst., 1, Berkeley Street, W. 10.00
Investors Capital Tst., 9, Charlotte Square, Edinburgh, 12.30
United Scientific, The White House Hotel, Albany Street, NW. 12.00

BOARD MEETINGS—
Finals:
De Beers Consd. Mines
De Beers Ind. Con.
Hongkong and Shanghai Bkg. Con.
Rosedimond Inv. Tst.
Interims:
Downing (G. H.)
Link House Publications
London and Strathclyde Tst.

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Corp. 9¼pcDb. 1980-85 4⅝pc. 7¼pcDb. 1981-84 3⅝pc. 6⅝pcDb. 1985-90 3⁵⁄₁₆pc
Associated Dairies Grp. 1.75p
Barnes Inc. Com. 25cts
Boeing 35cts
Citicorp Overseas Finance Corp. Gtd. Fltg. Rate Notes due 1994 US$49.53
Dart and Kraft Inc. 85cts
General Motors 60cts
Grace (W. R.) 57.5cts
Intnl. Business Machines Corp. 86cts
Mobil Corp. 100cts
Purolator Inc. 36cts
Southern Rhodesia 3½pc (Unassented) 1980-85 £2.41. 3½pc (Assented) 1980-1985 £2.41
Squibb Corp. 30cts
Sun Inc. 45cts
Tenneco Inc. 65cts
Texaco Inc. Can. 65cts
Travellers Corp. 72cts
Treasury 5½pc 2008-2012 2¾pc
United Technologies Corp. 60cts
Warner Lambert 33cts
Winterbottom Energy Tst. 6.5p

WEDNESDAY, MARCH 11

COMPANY MEETINGS—
Blundell-Permoglaze, The Connaught Rooms, Great Queen Street, WC 12.00
Kershaw (A.), 38, South Street, W. 10.30
Leys Foundries and Engineering, Colombo Street, Derby, 12.00
Lookers, The Lancashire County Cricket Club, Talbot Road, Stretford, Manchester, 12.00
Rank Organisation, Royal Lancaster Hotel Lancaster Terrace, W. 12.00
Smallshaw (R.) (Knitwear), Druid Street, Hinckley, Leicester, 12.00

BOARD MEETINGS—
Finals:
British Aluminium
Collins (William)
Robinson (Thomas)
Tube Invs.
Turner and Newall
Ultramar
Interims:
Jarvis (J.)
Maynards

DIVIDEND & INTEREST PAYMENTS—
Eurotherm Intnl. 3p
Fuqua Overseas Finance NV Gtd. Fltg. Rate Notes due 1987 US$320.52
Hambro Tst. 7.35p
New Witwatersrand Gold Exploration 10.04483p
Vogelstruisbult Metal 6.13851p

THURSDAY, MARCH 12

COMPANY MEETINGS—
Charter Trust and Agency, 20, Fenchurch Street, EC, 2.30
Derby Trust, The Portman Hotel, Portman Square, W. 12.00
Kellock Trust Kellock House, 28, Friar Street, Reading, Berks, 12.30
Piccadilly Theatre, Piccadilly Theatre, Denman Street, W. 11.00
Sidlaw Inds., Nethergate Centre, Dundee, 12.00

BOARD MEETINGS—
Finals:
Anglo American Gold Inv.
Anglo American Ind.
BTR
Britannic Assurance
BP
Clay (Richard)
Corah
Davies and Metcalfe
Habit-Precision Eng.
Harmony Gold Mng.
Needlers
New Equipment
Nu-Swift Inds.
Refuge Assurance
Royal Dutch Pet.
Shell Transport and Trdg.
Transport Dev.
Utd. Biscuits
Interims:
Coronation Synd.
HTV
Hunt and Moscrop (Middleton)
Stocklake
Twefontein Utd. Collieries
Utd. City Merchants

DIVIDEND & INTEREST PAYMENTS—
Alcan Aluminium 45cts
Amalgamated Distilled Products 0.5p
CBS Inc. Com. 70cts
East Daggafontein Mines 15cts
Hampson Inds. 0.25p
Investors Capital Tst. 1.55p
Monsanto 90cts
Sentrust Beperk 40cts
South African Land and Exploration 20cts
Warner Estate 3.5p

FRIDAY, MARCH 13

BOARD MEETINGS—
Interims:
Bracken Mines
Kinross Mines
Leslie Gold Mines
Prestwich Parker
St. Helena Gold Mines
Unisel Gold Mines
Winkelhaak Mines
Yarrow

DIVIDEND & INTEREST PAYMENTS—
Astra Industrial Grp. 0.75p
Border and Southern Stockholders Db. 2½pc
Charter Tst. and Agency 2.275p
Conoco Inc. 65cts
Dana Corp. 40cts
Ford Motor BDRs 1.5cts
Free State Development and Inc. Corp. 15cts
Hutton (E. F.) Inc. 20cts
Inco 18cts
Lucas (Inds.) Ln. 3⅞pc
Restmor 0.5p
Seagram 35cts
Southvaal 260cts
Vaal Reefs Exploration and Mining 700cts
Western Deep Levels 400cts

SATURDAY, MARCH 14

DIVIDEND & INTEREST PAYMENTS—
Edinburgh Inv. Tst. 3.15pcPfd. 1.575pc
FFI (UK Finance) Ln. 6¼pc

SUNDAY, MARCH 15

DIVIDEND & INTEREST PAYMENTS—
BICC Dbs. 3¼ 3½pc
British Guiana 5pc 1980-85 2½pc
Continental Grp. Inc. 60cts
Dalgety Db. 3¼pc
Dover Corp. 26cts
Eksportfinans (A/S) 11¼pc Notes due 1987 5⅝pc
Funding 6pcLn. 1993 3pc
Greater London 7¼pc 1981 3⅝pc
Imperial Chemical Inds. Bds. 1982 3¼pc
London County 5½pc 1977-81 2¾pc
Monks Inv. Tst. Db. 1⅞pc
Natomas 30cts
New Zealand 20-year 6½pc Bds. due 15/3/86 3¼pc
Owens Illinois Inc. 39cts
Pennzoil 55cts
Reliance Grp. Inc. 75cts
Southern Rhodesia 4½pc 1977-82 (Unassented) £3.16. 4½pc 1977-82
Stockport 12¼pcRed. 1985 6⅛pc
TRW Inc. 55cts
Time Inc. 45cts
Treasury Ln. 9pc 1992-96 4½pc
Treasury Stk. 9pc 1992-96 4½pc

Norwegian banks increase assets in difficult year

BY FAY GJESTER IN OSLO

TWO OF NORWAY'S leading commercial banks, Bergen Bank and Christiania Bank of Kreditkasse, saw total assets increase by about a quarter last year.

In the case of Bergen Bank, this in part reflected tough official primary reserves and placement requirements, which forced the bank to borrow on the Euro-market in order to put the required amount in bonds and Treasury bills.

Overall, government policies made it a difficult year for the banks — a fact which each stresses in its annual report. Interest charges to customers were held down by price regulations which were not relaxed until September, while placement and reserve requirements tied up much of the banks' capital in relatively low yielding bonds and Treasury bills.

Bergen Bank says that under the circumstances the results achieved were good. Operating profits, before loss write-offs, rose to NKr 168m ($31m) from NKr 149m a year earlier, and the bank is increasing its dividend to 12 per cent from 10 per cent. Total assets at end-1980 were NKr 17.7bn, compared with NKr 14.2bn at end-1979. But earnings as a percentage of average capital employed, fell to 1.07 from 1.12, as did net interest income, from 3.08 to 2.92.

Christiania Bank's accounts are marked by the fact that 1980 was the first year after its merger with the smaller, crisis-hit Andresens Bank, and in view of these special circumstances, together with the effect of the Government's policies, the performance is described as satisfactory by Mr. Tor Moursund, the managing director.

The extra expenses involved in the merger hit net profits, which amounted to only NKr 77.2m ($14.3m) compared with NKr 129.7m for Christiania plus Andresens in 1979. Total assets rose to NKr 20.9bn, from NKr 11.7bn at Christiania plus NKr 4.9bn at Andresens. Earnings as a proportion of average capital employed fell to 1.04 per cent, against 1.71 per cent for Christiania alone in 1979, while net interest income fell to 3.5 per cent from 4.2 per cent. An unchanged 12 per cent dividend is being paid.

Brascan lifts stake in Scott Paper

By Robert Gibbens in Montreal

DENISON MINES, Canada's second largest uranium producer, has sold just over 2m shares of Scott Paper, of Philadelphia, equal to a 5.37 per cent interest, at U.S.$29 per share to Brascan, of Toronto, the major industrial and consumer products and resource group controlled by the Peter and Edward Bronfman interests.

With other private transactions, this $80m deal lifts the Brascan stake in Scott Paper, one of the world's largest tissue products producers, to around 12 per cent. Brascan has indicated it wants to build a 20 per cent interest in Scott as an "investment." Brascan, which controls the Labatt Brewing Company, Western Mines and oil and gas interests, has in the past year bought relatively small interests in several U.S. consumer products companies, including Quaker Oats.

The Bronfman group took control of Brascan two years ago after the previous management's unsuccessful $1.12bn bid for control of F. W. Woolworth of the U.S. With control of Brascan, it acquired cash of more than C$400m which Brascan had received in compensation for nationalisation of a Brazilian subsidiary.

Since then, Brascan has expanded, partly through acquisitions, but still has very large cash reserves. Peter and Edward Bronfman are the cousins of Charles and Edgar Bronfman, who control Seagram Company.

Scott Paper late last month announced a major change in its corporate strategy, involving capital spending of about $3bn.

Hume Far East strongly ahead

By Georgie Lee in Singapore

HUME INDUSTRIES (Far East), the building material manufacturer and supplier, has reported a rise of 26 per cent in group pre-tax profit for the first half, ended December to S$15.75m (U.S.$7.5m). Post-tax profit went up at the slower rate of 11 per cent, to S$8.6m, reflecting a 51 per cent rise in the tax provision.

Trading profits went up by 24 per cent, while turnover increased by 26 per cent to S$114.8m (U.S.$54.6m).

Earnings drop at Banque Europeenne de Credit

BY PETER MONTAGNON

BANQUE EUROPEENNE de Credit (BEC), the Brussels-based consortium bank, has reported a decline in 1980 net profits to BFr 448m ($12.8m.), from BFr 568m in 1979.

This follows an additional allocation to provisions in the light of the deterioration in the world economic situation. The bank has, however, declined to disclose the amount of the provision.

Medium-term lending last year rose 14 per cent to BFr 183.6bn ($5.2bn) and short-term advances by 28 per cent to BFr 17.2bn.

BEC became the first Belgian-based bank to raise funds in the U.S. commercial paper market, after being placed in the top category by U.S. rating agencies last summer.

● Vereins-und Westbank raised its group net profit in 1980 by 6.3 per cent to DM 29.71m ($13.9m) from DM 27.82m in 1979 reports Reuter from Hamburg. The group balance-sheet total rose to DM 10.78bn ($5bn) at the year-end, from DM 10.3bn.

CURRENCIES, MONEY and GOLD

The outer limits

BY COLIN MILLHAM

THE Belgian National Bank appeared to be avoiding the inevitable last week in leaving its discount rate at 12 per cent. Pressure on the Belgian franc within the European Monetary System has grown acute, but the central bank is reluctant to increase the discount rate at a time when the economy is in such bad shape.

Industrial output fell by 9.3 per cent last year, much worse than Belgium's EMS partners, and not far away from the British figure of 10.9 per cent, while unemployment is running at a record level of over 9 per cent.

High unemployment, coupled with resentment of the Government's austerity programme, has led to considerable industrial unrest. At the same time the economy is faced with the burden of a very large balance of payments deficit, and growing inflation, albeit from the relatively low level of about 7 per cent.

In these circumstances the authorities have resisted moving the discount rate, in much the same way that the German Bundesbank has found it politically unwise to raise its discount rate when the economy is in recession and industry is calling for help through lower interest rates.

Germany also has an extremely large payments deficit, but a much stronger economic base, and although both the German and Belgian Lombard rates have been effectively raised recently, it is the D-mark that has risen quickly within the EMS, while the Belgian franc continues to languish at the bottom of the system.

The Belgian currency has been on its floor against the guilder—the Dutch central bank increased its discount rate last week—the French franc, and the D-mark. Intervention by the Belgian National Bank failed to keep the franc within its divergence or "alarm bell" limit, where the currency is deemed to have weakened so far that the authorities are expected to take corrective action.

The action taken so far has obviously been insufficient however, with the franc remaining well outside its divergence limit throughout last week. A rise of at least 2 per cent in the discount rate is now urgently required, but even this would not solve Belgium's economic problems. It would simply be corrective action following the rise in the Dutch and Swiss discount rates, and also the sharp rise in German interest rates.

THE POUND SPOT AND FORWARD

March 6	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1775-2.1975	2.1935-2.1945	0.77-0.67c dis	-4.40	2.20-2.40dis	-4.28
Canada	2.6170-2.6370	2.6285-2.6305	1.00-1.10c dis	-4.79	3.00-3.15dis	-4.69
Nethlnd.	5.16-5.22	5.17-5.18	1c pm-par	1.16	1¼-½ pm	0.77
Belgium	76.50-77.30	76.65-76.75	3c pm-7 dis	-0.31	20-30 dis	-1.30
Denmark	14.67-14.80	14.87¾-14.69¼	⅛-1ore dis	-0.82	6¾-8½ dis	-2.06
Ireland	1.2775-1.2905	1.2865-1.2885	par-0.13p dis	-0.61	0.42-0.58dis	-1.55
W. Ger.	4.67-4.72	4.68-4.69	1pf pm-⅛ dis	-0.64	1⅛-2⅛ dis	-1.40
Portugal	124.50-126.00	125.25-125.45	20c pm-70 dis	-2.15	65-165dis	-3.66
Spain	190.30-192.00	191.50-191.70	30-80c dis	-3.91	195-260 dis	-4.64
Italy	2,259-2,277	2,270-2,272	9-11lire dis	-5.08	33-35 dis	-5.99
Norway	11.88-12.00	11.90¾-11.98¾	3ore pm-⅛ dis	0.13	½ pm-1 dis	-0.08
France	10.89-11.03	10.89-11.00	1¾-½c pm	1.03	1 pm-par	0.18
Sweden	10.18-10.24	10.18-10.19	3-5ore dis	-3.98	10¾-11¾ dis	-4.28
Japan	465-463	457-458	4.00-1.30y pm	4.06	4.65-4.35 pm	3.16
Austria	33.00-33.35	33.00-33.05	4⅛-3gro pm	0.91	2½-7 dis	-0.57
Switz.	4.26-4.31	4.28-4.29	1⅛-½c pm	3.50	3¼-2¾ pm	2.80

Belgian rate is for convertible francs. Financial franc 79.10-79.20. Six-month forward dollar 4.82-4.92c dis. 12-month 7.90-8.10c dis.

THE DOLLAR SPOT AND FORWARD

March 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1775-2.1975	2.1935-2.1945	0.77-0.67c dis	-4.40	2.30-2.40dis	-4.28
Ireland†	1.7000-1.7120	1.7100-1.7120	0.50-0.60c dis	-3.86	1.05-1.20dis	-2.63
Canada	1.2001-1.2015	1.2001-1.2004	0.06-0.11c dis	-0.85	0.07-0.12dis	-0.32
Nethlnd.	2.3670-2.3785	2.3680-2.3700	1.17-1.17c pm	5.18	3.12-3.02 pm	5.18
Belgium	34.97-35.21	34.97-34.99	15-13c pm	4.79	29-26 pm	3.14
Denmark	6.7200-6.7625	6.7300-6.7325	2.50-2.00ore pm	4.02	4.50-4.00 pm	2.53
W. Ger.	2.1310-2.1350	2.1345-2.1355	1.53-1.48pf pm	8.45	1.45-1.35 pm	2.62
Portugal	57.00-57.30	57.05-57.25	30c pm-10 dis	2.10	70 pm-10 dis	2.10
Spain	87.33-87.40	87.30-87.40	25c pm-par	1.72	10pm-20dis	-0.23
Italy	1,036-1,039	1,036-1,037	⅛-1lire dis	-0.72	3¼-4¼ dis	-1.54
Norway	5.4615-5.4775	5.4620-5.4650	2.30-1.80ore pm	4.50	5.80-5.30 pm	4.06
France	5.0100-5.0400	5.0100-5.0150	2.40-2.25c pm	5.54	4.80-4.45 pm	3.75
Sweden	4.6620-4.6680	4.6650-4.6680	0.40-0.25ore pm	0.83	0.20-0.05 pm	0.11
Japan	208.60-209.50	208.75-208.85	1.35-1.20y pm	7.33	4.15-4.00 pm	7.81
Austria	15.14-15.23	15.15-15.16	7.90-6.60gro pm	5.74	17.50-14.00pm	4.15
Switz	1.9500-1.9700	1.9645-1.9655	1.40-1.30c pm	8.29	3.59-3.46 pm	7.16

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Mar. 6		Mar. 4	
Gold Bullion (fine ounce)				
Close	$457-470	(£213-214½)	$462-465	(£209½-211)
Opening	$463-466	(£211½-212¾)	$455-458	(£207-208½)
Morning fixing	$462	(£210.766)	$457	(£207.425)
Afternoon fixing	$467	(£212.776)	$461.50	(£209.392)
Gold Coins				
Krugerrand	$485½-487	(£221¼-222)	$476½-478	(£216¼-217)
1/2 Krugerrand	$250-252	(£114-115)	$245½-247½	(£111½-112¼)
1/4 Krugerrand	$127-129	(£58-58¾)	$125-127	(£56¾-57½)
1/10 Krugerrand	$53½-55½	(£24½-25¼)	$52-54	(£23½-24½)
Mapleleaf	$481-482½	(£219¼-220)	$474-475½	(£215-215¾)
New Sovereigns	$118-119	(£53¾-54¼)	$116-117	(£52½-53)
King Sovereigns	$139-141	(£63½-64½)	$138-140	(£62½-63½)
Victoria Sovs	$139-141	(£63½-64½)	$138-140	(£62½-63½)
French 20s	$175-178	(£79¾-81)	$175-178	(£79½-80¾)
50 pesos Mexico	$580-585	(£264½-265¾)	$572-577	(£259½-261¾)
100 Cor. Austria	$452-456	(£206-208)	$443-448	(£201-203¼)
$20 Eagles	$592-597	(£270-272¼)	$592-597	(£268½-271)

OTHER CURRENCIES

Mar. 6	£	$		£ Note Rates
Argentina Peso	4968-4988	2263-2273	Austria	33.00-33.40
Australia Dollar	1.8950-1.9000	0.8650-0.8655	Belgium	78.70-79.50
Brazil Cruzeiro	156.85-157.85	71.51-71.87	Denmark	14.68-14.83
Finland Markka	9.024-9.041	4.1150-4.1170	France	10.88-11.06
Greek Drachma	112.182-115.688	52.05-52.80	Germany	4.66½-4.72
Hong Kong Dollar	11.74-11.75	5.3590-5.3630	Italy	2240-2280
Iran Rial	166.00*	76.00*	Japan	455-462
Kuwait Dinar(KD)	0.596-0.604	0.2745-0.2747	Netherlands	5.16-5.21
Luxembourg Frc.	76.65-76.75	34.97-34.99	Norway	11.83-12.05
Malaysia Dollar	5.0350-5.0450	2.2975-2.3005	Portugal	121-126
New Zealand Dlr	2.3900-2.3960	1.0915-1.0925	Spain	184½-195
Saudi Arab. Riyal	7.30-7.36	3.3300-3.3350	Sweden	10.19-10.29
Singapore Dollar	4.6150-4.6250	2.1075-2.1100	Switzerland	4.26½-4.31
Sth African Rand	1.7245-1.7365	0.7905-0.7915	United States	2.17-2.19
U.A.E. Dirham	8.01-8.07	3.6718-3.6738	Yugoslavia	77-80

Rate given for Argentina is free rate. * Selling rate.

FT LONDON INTERBANK FIXING (11.00 a.m. MARCH 6)

3 months U.S. dollars		6 months U.S. dollars	
bid 16 7/8	offer 17	bid 16 7/8	offer 17

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Mar. 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	16¾-17¼	15¾-16	17-18	10⅞-11⅛	2-3	10½-11⅛	11½-18	16-18	9½-10½	9-9½
7 days' notice	14½-15	15⅞-16⅛	17-18	11⅛-11¼	4½-5	12⅜-12⅝	11½-12	17-19	10-11	9¼-9½
Month	13⅛-13¼	17¼-17½	17⅛-17½	11 5/16-11 7/16	9 1/16-9 3/16	13 9/16-13 11/16	12½-13	18¼-19¼	12⅝-12⅞	9⅛-9⅜
Three months	12⅜-12½	16 9/16-16 11/16	17-17⅜	11½-11⅝	9 5/16-9 7/16	13 5/16-13 7/16	13⅛-13⅝	18¼-19¼	13¾-14	8½-8¾
Six months	12⅛-12¼	16 5/16-16 7/16	16⅝-16¾	11⅛-11⅜	9⅛-9 5/16	13⅜-13½	13¼-13¾	18⅛-19⅛	13⅞-14⅛	8 5/16-8 7/16
One Year	12 1/16-12 3/16	16-16¼	15⅝-15¾	11⅛-11⅜	8 9/16-8 11/16	12⅜-12½	13⅜-13⅞	18¾-19¾	13⅞-14⅛	8 5/16-8 7/16

SDR linked deposits: one-month 14¾-14⅞ per cent; three-months 14⅛-14⅝ per cent; six months 13⅞-14⅛ per cent; one year 13⅛-13⅜ per cent.

Asian $ (closing rates in Singapore): one-month 17⅜-17⅝ per cent; three months 16⅝-16⅞ per cent; six months 16⅝-17 per cent; one year 16⅛-16⅜ per cent. Long-term Eurodollar two years 15⅜-16 per cent; three years 15⅛-15⅝ per cent; four years 15⅛-15⅝ per cent; five years 15⅛-15⅝ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 16.10-16.20 per cent; three-months 16.20-16.30 per cent; six-months 15.25-15.35 per cent; one year 15.70-15.80 per cent.

LONDON MONEY RATES

Mar. 6 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ●	Eligible Bank Bills ●	Fine Trade Bills ●
Overnight	—	13-23	15-16	—	—	—	13-14	—	—	—
2 days notice	—	—	15	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	15½-16	14⅞	—	16¼	—	14	—	—	—
One month	13 1/16-12 15/16	13¼-13¾	13¼-13½	14⅜-14	13⅞	14-14⅛	12⅛-12½	12⅜	12⅞-13⅛	13¾
Two months	12 13/16-12⅝	12 15/16-13⅛	—	13⅝-13¼	13	13½	12-12¼	12¼	12¼-12⅜	13
Three months	12 9/16-12⅜	12½-12¾	12½	13⅛-12¾	12½	13-13⅛	11¾-12	11 15/16	11⅜	12½
Six months	12¼-12⅛	12⅛-12 5/16	12-12¼	12⅝-12¼	13	12¾	—	—	11⅝	12
Nine months	12 3/16-12 1/16	12⅛-12¼	—	12⅝-12¼	12⅜	12¾	—	—	—	—
One year	12⅛-12	12 1/16-12¼	12⅛-12¼	12½-12¼	12¼	12¾	—	—	—	—
Two years	—	—	12½-12⅞	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13⅝-13⅞ per cent; four years 13¾-14 per cent; five years 13⅞-14⅛ per cent. ● Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11¾ per cent; four-month trade bills 12¾ per cent.

Approximate selling rate for one-month Treasury bills 12⅜ per cent; two-months 12-12⅛ per cent; three-months 11⅞-11¾ per cent. Approximate selling rate for one-month bank bills 12⅛-13 per cent; two-months 12⅛-13 per cent; three-months 11⅞ per cent; one-month trade bills 13½ per cent; two-months 12¾ per cent; three-months 12½ per cent.

Finance Houses Base Rates (published by Finance Houses Association) 14 per cent from March 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 11.3912 per cent.

CURRENCY RATES

Mar. 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.557789	0.524203
U.S. $	13	1.21849	1.15698
Canadian $	17.16	1.46182	1.42492
Austria Sch.	6¾	18.5089	18.0132
Belgian F.	12	44.5293	41.7051
Danish K.	11	8.22176	7.89621
D mark	7½	2.61624	2.45416
Guilder	9	2.89270	2.81463
French Fr.	9½	6.16465	5.99215
Lira	16½	1263.57	1229.72
Yen	7¼	253.696	247.785
Norwgn. Kr.	9	6.68046	6.35021
Spanish Pts.	8	106.583	103.885
Swedish Kr.	10	5.69066	5.38517
Swiss Fr.	3	2.39494	2.25581
Greek Dr'ch.	20	—	61.6305

PENDING DIVIDENDS

	Date	Announcement last year
*Anglo Amer. Gold	Mar. 12	Final 350c
*Armstrong Equipment	Mar. 25	Int. 1.011
*BICC	Apr. 8	Final 5.82
BSR	Mar. 12	Final 1.413
*BTR	Mar. 12	Final 6.0
Babcock Intl.	Apr. 3	Final 3.6
*Barratt Devs.	Mar. 17	Int. 3.5
*Bejam	Mar. 18	Int. 1.0
Bell (A.)	Mar. 27	Int. 2.12
Berkeley Hambro	Apr. 2	Final 3.0
Booker McConnell	Mar. 31	Final 7.5
*British Petroleum	Mar. 12	Final 12.0
Brooke Bond	Mar. 18	Int. 1.25
*Cadbury Schweppes	Mar. 19	Final 2.9
Cape Inds.	Apr. 1	Final 7.3
Coates Bros.	Mar. 27	Final 2.12
Comb. Eng. Stores	Mar. 31	Final 1.66
*De Beers	Mar. 10	Final 52½c
Expanded Metal	Mar. 25	Final 2.5
*Fairclough Constr.	Mar. 17	Final 2.35
Freemans SW9	Mar. 31	Final 2.0
Glynwed	Mar. 31	Final 6.7
*Guest Keen	Mar. 18	Final 13.554
Harris Queensway	Apr. 2	Final 4.0
*Hepworth Ceramic	Mar. 19	Final 2.75
Hepw'th (J.)	Apr. 3	Int. 0.79
*Hong Kong and S'hai Bk.	Mar. 10	Final HK$0.50
*House of Fraser	Apr. 23	Final 4.0
*Ibstock Johnsen	Mar. 27	Final 3.0
*IMI	Mar. 17	Final 2.5
*Kleinwort Benson	Mar. 26	Final 4.0
Legal and General	Mar. 26	Final 5.0
*Lex Service	Mar. 19	Final 4.2
London Brick	Apr. 3	Final 2.632
*Low and Bonar	Mar. 26	Final 9.5

	Date	Announcement last year
*Lucas Inds.	Mar. 26	Int. 2.6
*Midland Bk.	Mar. 20	Final 12.5
Ocean Transport	Mar. 31	Final 4.6
Peachey Prop.	Apr. 2	Int. 1.5
Philips' Lamps	Mar. 20	Final Fl 1.20
Phoenix Assurance	Apr. 2	Final 7.5
*Prudential Corpn.	Mar. 25	Final 6.0
Reckitt and Colman	Mar. 25	Final 5.0
Reed (Austin)	Mar. 27	Final 2.46
Rockware	Mar. 31	Final 4.32
Samuel Props.	Mar. 27	Int. 1.1
Scottish Metropltn.	Mar. 28	Int. 1.25
*Shell Transport	Mar. 12	Final 10.479
*Slough Estates	Mar. 25	Final 1.4
Smith and Nephew	Mar. 18	Final 2.4
*STC	Mar. 20	Final 6.0
Sun Alliance	Apr. 2	Final 14.5
Tilling (T.)	Mar. 19	Final 4.0
*Transpt. Dev.	Mar. 12	Final 2.8
Tricentrol	Mar. 20	Final 4.2
*Tube Inv.	Mar. 11	Final 13.0
*Turner and Newall	Mar. 11	Final 7.0
*Ultramar	Mar. 11	Final 10.0
Union Corpn.	Feb. 18	Final 43c
*United Biscuits	Mar. 12	Final 2.0
*United City Merchants	Mar. 12	Int. 0.6
United Newspapers	Mar. 25	Final 15.0
Weir	Mar. 19	Final nil
*Wolseley-Hughes	Mar. 19	Int. 4.4
*Woolworth (F. W.)	Mar. 11	Final 3.569

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hambros Bank	14 %
Allied Irish Bank	14 %	■ Hill, Samuel	§14 %
American Express Bk.	14 %	C. Hoare & Co.	†14 %
Amro Bank	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Keyser Ullmann	14 %
AP Bank Ltd.	14 %	Knowsley & Co. Ltd.	16 %
■ Arbuthnot Latham	14 %	Langris Trust Ltd.	14 %
Associates Cap. Corp.	14 %	Lloyds Bank	14 %
Banco de Bilbao	14 %	Mallinhall Limited	14 %
BCCI	14 %	Edward Manson & Co.	15 %
Bank of Cyprus	14 %	Midland Bank	14 %
Bank of N.S.W.	14 %	■ Samuel Montagu	14 %
Banque Belge Ltd.	14 %	■ Morgan Grenfell	14 %
Banque du Rhone et de la Tamise S.A.	14½ %	National Westminster	14 %
Barclays Bank	14 %	Norwich General Trust	14 %
Beneficial Trust Ltd.	15 %	P. S. Refson & Co.	14 %
Bremar Holdings Ltd.	15 %	Rossminster	14 %
Brit. Bank of Mid. East	14 %	Ryl. Bk. Canada (Ldn.)	14 %
■ Brown Shipley	14 %	Slavenburg's Bank	14 %
Canada Perm't Trust	15 %	E. S. Schwab	14 %
Cayzer Ltd.	14 %	Standard Chartered	‖14 %
Cedar Holdings	14 %	Trade Dev. Bank	14 %
■ Charterhouse Japhet	14 %	Trustee Savings Bank	14 %
Choulartons	14 %	Twentieth Century Bk.	14 %
C. E. Coates	14 %	United Bank of Kuwait	14 %
Consolidated Credits	14 %	Whiteaway Laidlaw	14½ %
Co-operative Bank	*14 %	Williams & Glyn's	14 %
Corinthian Secs.	14 %	Wintrust Secs. Ltd.	14 %
The Cyprus Popular Bk.	14 %	Yorkshire Bank	14 %
Duncan Lawrie	14 %		
Eagil Trust	14 %		
E. T. Trust Limited	14 %		
First Nat. Fin. Corp.	16½ %		
First Nat. Secs. Ltd.	16 %		
Robert Fraser	14 %		
Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month 11¾%. Short term £8,000/12 months 13.3%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12%, and over £50,000 12½%.
‡ Call deposits £1,000 and over 11½%.
§ 7-day deposits 12%.
¶ Demand deposits 12%.
‖ 21-day deposits over £1,000 13%.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual Interest gross interest	payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	13¼	½-year	1,000	5-7

Public Works Loan Board rates

Effective from February 28

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	12¾	12⅞	13⅛	13¾	13¾	13⅞
Over 5, up to 10	13½	13⅝	14	13¾	14⅛	14⅛
Over 10, up to 15	14	14	14⅛	14⅛	14⅛	14⅜
Over 15, up to 25	14⅛	14⅛	14⅛	14⅜	14⅜	14⅜
Over 25	14⅛	14⅛	14⅛	14⅜	14⅜	14⅜

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980/81 High	Low	Stock	Closing Price p‡	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
150	F.P.	3/4	179	170	British Aerospace 50p	171	−5	b7.8	2.0	6.5	11.0
10p	F.P.	27/3	16¼	13¾	✣Crest Intl Scs. 10p	15½	−½	—	—	—	—
5§	F.P.	—	8	6½	✣Dunton 5p	7½	......	—	—	—	—
75§	F.P.	—	105	88	Espley-Tyas Prop.	88	−5	b3.92	1.2	6.4	18.3
100	F.P.	13/3	102	95	New Darien Oil Trust	99	−1	—	—	—	—
42p	F.P.	13/5	45	38	Oil & Gas Production	39	......	—	—	—	—
4.2p	P.P.	13/5	9	7½	Do. ($0.01 pd.)	7½	......	—	—	—	—
§§	F.P.	—	14	12	✣Parkfield Fndrs. 5p	13	......	0.88	6.4	9.3	2.4
81§	F.P.	16/2	106	95	Sonic Sound Audio 10p	100	−2	b4.48	1.9	6.4	9.7
**	F.P.	9/2	84	72	Westpool Inv. Defd	74	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980/81 High	Low	Stock	Closing Price £	+ or −
¶100	£10	21/5	12	11½	Bristol Water 8% Red. Pref '86	12	......
‖	F.P.	12/2	119	106½	Crystalate 9¾% Cnv. Uns. Ln. '99-2000	119	......
96	£20	27/3	21⅜	20½	Iceland 14½% 016	20½	−¼
¶100	£10	24/7	12	12	Mid-Sussex Water 8% Pref. 1986	12	......
‖	F.P.	20/1	135p	107p	Paterson (R.) 11½% Cum. Cnv. Prf.	132p	......
‖	F.P.	13/2	128	113	Portals 9½% Cnv. 1994-2000	128	+1
110½	F.P.	—	169p	147p	Sterling Credit 8% Cnv. Red. Cum. Prf.	158p	−11
100	Nil	—	11pm	9pm	Yorks Fine Wool 11% Cum. Red. Cnv. Prf.	10½pm	−½

"RIGHTS" OFFERS

Issue Price p‡	Am'unt paid up	Latest Renunc. Date ●	■	1980/81 High	Low	Stock	Closing prices p‡	+ or −
128 p	F.P.	27/2	27/3	128	115	Argyll Foods	117	−1
154 p	F.P.	9/3	22/5	181	171	Assoc. Dairies	176	......
$A9	Nil	—	—	190pm	175pm	Broken Hill Prop.	190pm	+5
45	F.P.	18/2	13/3	65	51½	Hampton Trust	54½	......
184	F.P.	29/1	13/3	240	188	Johnson, Matthey	236	+1
45p	F.P.	9/3	3/4	50	47	Paradise B.	47	......
60	F.P.	16/2	27/3	87	71	Norcros	86½	−½
320	F.P.	23/1	20/3	390	330	Royal Insurance	378	−14

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✣ Unlisted Securities Market. ‡‡ London Listing. ⁂ Resulting from debt settlement scheme. ‡‡ Units comprising 125 A Ord. & 6 12½% Cum. Pref.

CORAL INDEX: Close 485-490 (−8)

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	59.3	63.8	+0.1	2.27
Abbey Capital	45.7	47.4	−0.5	4.96
Abbey General	54.9	59.3	−0.8	5.38
Abbey Gilt & F.I. Tst.	103.6	109.0xd	−0.3	12.02
Abbey Income	35.4	38.3	−0.2	9.16
Abbey W'Wide Bd Tst.	95.4	100.9	+0.2	6.64
Abbey Inv. Tst. Fd.	50.5	54.6	−0.3	4.65
Equitas Prog. Tst.	80.3	86.8	−0.9	4.71

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	86.0	90.5xd	−0.01	12.75

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	88.0	94.2xd	−1.0	5.58
Brit. Inds. Fund	76.4	81.7	−1.1	6.24
Growth & Income	50.1	53.6	−0.6	5.04
Elect. & Ind. Dev.	44.5	47.6	−0.6	5.25
Allied Capital	96.2	102.9	−1.2	4.47
Hambro Fund	131.1	140.3	−1.3	6.17
Hambro Acc. Fund	180.4	193.0	−1.9	4.72
Income Funds				
High Yield Fd.	63.7	68.2xd	−0.6	8.88
High Income	83.6	89.5xd	−1.0	7.24
Equity Income Fd.	45.0	48.2xd	−0.5	7.56
Govt. Secs.	25.4	26.1	----	11.88
International Funds				
International	34.3	36.7xd	−0.1	2.18
Japan Fund	25.0	26.7	----	0.24
Pacific Fund	66.6	71.3	−0.2	1.15
Secs. Of America	75.2	80.5	+0.6	1.99
Specialist Funds				
Smaller Co.'s Fd.	56.1	60.0	+0.1	4.33
2nd Smlr. Co's Fd.	67.3	72.0xd	+0.1	4.17
Recovery Sits.	136.6	146.2	−1.1	5.50
Met. Min. & C'dty.	66.9	71.6	+0.2	5.31
Overseas Earnings	67.9	72.6	−0.7	5.08
Exempt Funds				
Income Exempt	49.5	52.0xd	−0.6	8.37
Far East Exempt	70.1	72.9	−0.1	1.03
Smaller Co. Exempt	88.9	93.3	−0.1	4.29
U.S.A. Exempt	126.7	131.8xd	+1.2	2.47

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	67.2	72.1	----	3.96

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-726 4931

Inc. Monthly Fund	148.0	158.0xd	----	—

Anthony Wieler Unit Tst. Mgmt. Ltd.
19, Widegate St., London, E1 7HP. 01-247 8827

Wieler Gwth Fd. Inc.	39.0	41.1xd	----	3.61
Do. Accum.	49.6	52.3	----	3.61

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Capital†	35.1	37.8	----	—
Commodity***	90.8	97.1	----	2.71
(Accumulation)	142.1	152.0	----	2.71
(10% Withdrawal)	68.5	73.2	----	2.71
Eastern & Internat'l.†	42.3	45.2	----	1.00
(6% Withdrawal)	29.0	31.2	----	1.00
Extra Income	97.5	101.9	−0.3	9.49
(Accumulation)	116.4	125.2	−0.4	9.49
Finance & Property	27.1	29.2	----	3.76
Foreign††	135.4	141.1	----	1.00
Giants	47.6	51.3	−0.5	4.63
(Accumulation)	62.3	67.0	−0.7	4.63
Gilt & Fixed	41.8	43.8xd	−0.1	12.50
(Accumulation)	45.3	47.5xd	−0.1	12.50
Growth	42.7	46.0	−0.8	4.42
(Accumulation)	56.3	60.6	−1.0	4.42
High Income	37.9	40.8xd	−0.2	9.35

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	41.8	45.1	+0.5	0.55
Cres. Internat'l.	78.9	85.2	−0.1	1.83
Cres. High. Dist.	44.2	47.7	−0.3	9.96
Cres. Reserves	49.4	53.3xd	−0.7	5.51
Cres. Tokyo	32.6	35.2	−0.3	0.99

Darlington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	24.1	25.9	----	10.31

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Feb. 27	237.8	253.6	----	5.21

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	18.5	20.4	----	6.93
Gt. Winchester O'seas	27.6	30.4	----	3.47

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	89.0	93.6	−1.1	4.63

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	35.0	37.7	+0.2	0.72
Ameri.Spec.Sits. (z)	26.1	28.1	+0.3	0.85
Gilt + Fixed Int.	24.9	26.5	----	12.06
Growth + Income	31.4	33.8	−0.4	6.99
Maximum Inc. Eq. Tst.	26.5	28.6xd	−0.2	8.86
Special Sits.	38.4	41.3	−0.4	1.89

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l.	38.1	41.0	----	2.15
Accum. Units	47.2	50.8	----	2.15
J. Finlay High Income	36.2	38.9	----	9.85
Finlay Wld. Energy	18.3	19.7	−0.1	1.71
Accum. Units	23.6	25.4	−0.1	1.71
J. Finlay Fd. In. Tst.	37.8	40.6	----	5.01
Accum. Units	47.8	51.4	----	5.01

Prices on Mar. 4. Next dealing Mar. 11.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Amer. & Gen.	76.6	81.8	+0.8	0.81
Am. T'around	71.6	76.4	+0.8	1.56
Capital Tst.	60.6	64.6	----	5.15
(Accum. Units)	63.0	67.2	−0.2	5.15
Convertible & Gilt	48.0	50.4	----	10.1
(Accum. Units)	48.0	50.4	----	10.1
Extra Income Trust	49.2	52.6xd	−0.6	10.05
Income Tst.	40.4	43.2	−0.2	7.77
Int. Growth Fd.	63.6	68.0	+0.2	1.68
(Accum. Units)	68.4	73.0	+0.2	1.68

Robert Fraser Trust Mgt. Ltd.
28b Albemarle St., W.1. 01-493 3211

Robt. Fraser Ut. Tst.	84.9	91.3	----	6.00

Friends' Provdt. Trust Mgrs. (a) (b) (c)
Pixham End, Dorking. 0306 5055

Friends Prov. Units	62.3	66.6	−0.8	4.40
Do. Accum.	89.7	95.9	−1.2	4.40

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital Mar. 5	143.5	146.1	+5.5	4.79
Gross Inc. Mar. 5	82.0	83.6	−0.1	11.48
High Yield Mar. 5	94.4	95.4xd	+0.6	10.90

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16, Finsbury Circus, EC2M 7DJ. 01-628 8131

G.T. Cap. Income	148.1	159.2	----	2.50
Do. Acc.	190.3	204.6	----	2.50
G.T. Inc. Fd. Un.	198.4	213.3xd	−1.1	8.40
G.T. U.S. & Gen.	197.6	212.9	−3.5	1.60
GT Wld. Bd. Fd.	95.7	99.6	−0.8	6.10
G.T. Japan & Gen.	105.4	113.3	−1.1	1.10

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
12D.	12Jun	Exch. 8¼pc 1981	98¾	5.11	8.35	12.64
4F	4Aug	Exch. 9½pc 1981	98¾	29.12	9.60	12.24
21F	21Aug	Exch. 3pc 1981	96⅛	15.1	3.12	12.05
17May	17N	Treas. Variable '81‡‡	99⅞	13.10	12.16	12.94
23May	23N	Exch. 12¾pc 1981‡‡	100¼	17.10	12.71	12.24
15Jul	15Ja	Treas. 8½pc '80-82‡‡	96¾	9.12	8.76	12.31
15Aug	15F	Treasury 3pc '82‡‡	94⅛	9.1	3.16	8.94
16S	16Mar	Treasury 14pc '82‡‡	101¾xd	9.2	13.73	11.94
15D	15Jun	Treas. Variable '82‡‡	98¾	10.11	12.25	13.14
5Ja	5Jul	Treasury 8¼pc '82	95⅛	2.12	8.67	12.33
22Mar	22S	Exch. 9¼pc 1982	95¼xd	13.2	9.71	12.74
5Jul	5Ja	Exch. 8¾pc 1983	94⅛	1.12	9.28	12.32
21Aug	21F	Exch. 3pc 1983	88⅞	15.1	3.37	9.35
17S	17Mar	Treasury 12pc 1983‡‡	98¾xd	9.2	12.15	12.73
24N	24May	Treas. Variable '83‡‡	97	20.10	12.46	13.64
18Ja	18Jul	Treasury 9¼pc '83	93¾	12.12	9.92	12.68
22May	22N	Exch. 13½pc '83	101¾	15.10	13.34	12.92
12Jun	12D	Exch. 10pc 1983	93¾	5.11	10.73	12.98
15Jul	15Ja	Funding 5½pc '82-84‡‡	86¾	9.12	6.33	10.96
20Aug	20F	Exch. 11¼pc 1984	95⅞	14.1	11.73	12.96
22N	22May	Exchequer 14pc 1984	102¾	16.10	13.67	13.85
19D	19Jun	Exch. 3pc 1984	80¼	12.11	3.73	10.23
26Mar	26S	Treasury 12pc 1984	97¾xd	17.2	12.31	12.92
22Aug	22F	Treasury 15pc 1985	106¾	16.1	14.09	12.87
22S	22Mar	Exch. 12pc Cnv. '85	97⅝	—	12.32	12.86
21N	21My	Treasury 3pc 1985	74¾	15.10	4.01	10.62
21N	21M	Do. "A"	73¾	—	4.06	10.93
22May	22N	Exch. 12¼pc 1985	97¾	16.10	12.57	12.97
25 Aug.	25F	Exch. 11¼pc '86	95¾	19.1	12.26	12.91

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1Ja	1J	Agric. Mt. 5pc '59-89	63	1.12	8.04	12.41
30J	31D	Alcan 10½pc '89-94	79	10.11	15.06	16.20
1M	1S	Met. Wtr. 3pc 'B'	28¼	2.2	10.44	12.56
30J	31D	U.S.M.C. 9pc 1982	104	24.11	8.88	—
30J	31D	Do. without Warnts.	96	24.11	9.63	14.30

Financial

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
20J	20D	FFI 14pc '83	101	20.11	13.86	13.53
31M	30S	FFI(UK Fn)5½pcDb. '80-2	89½xd	2.3	6.12	12.89
31M	30N	Do. 6¼pcDb. '81-84	82	13.10	7.80	13.10
11Ja	11J	Do. 10¼pc Uns.Ln. '86	90½	8.12	11.83	13.80
11Ja	11J	Do. 11pc Uns.Ln. '88	89½	8.12	12.55	13.40
11Ja	11J	Do. 11¾pc Uns.Ln. '90	90	8.12	13.29	14.10
14Mr.	14S	Do. 12½pc Un. Ln. 1992	88½xd	9.2	14.12	14.60
30J	31D	Do. 7¼pcADeb. '89-92	63	24.11	11.87	14.20
31M	30S	Do. 7¼pcADeb. '91-94	59xd	9.2	12.28	14.10
31M	30S	Do. 9pc 'A' '91-94	69xd	9.2	13.04	14.20
28F	31A	Do. 8¾pcLn. '92-97	65	26.1	13.65	14.40

FOREIGN BONDS & RAILS

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
—		Antofagasta Rly.	60½	8.71	—	—
1Ja	1J	Do. 5pc Pref.	55	2.1	—	—
1Ja	1J	Chilean Mixed	98	1.7	3	f3.10
—		Chinese 4½pc 1898	23	—	—	—
—		Do. 5pc 1912	18	—	—	—
—		Do. 5pc 1913	14	—	—	—
—		Do. 5pc '25 Boxer	13	—	—	—
30 Jan.	31D	Denmark 13pc 2005	90	4.12	13	14.86
1M	1N	Greek 7pc Ass.	36	3.11	3½	f9.90
1F	1A	Do. 6pc 28 Stb. Ass.	34	2.2	3	f8.85
1A	1O	Do 4pc Mixed Ass.	32	2.1	2	f6.30
May 1		Hung. '24 Ass.	50	1.5	2¼	5.77
30J	31D	Iceland 6½pc '83-88	64	19.11	6½	14.70
10Ja	10J	Ireland 7½pc '81-83	88¾	10.12	7½	13.79
1M	1S	Do. 9¼pc '91-96	73½xd	15.8	9¼	13.97
1J	1D	Japan 4pc '10 Ass	185	3.12	—	—
30J	31D	Do. 6pc '83-88	72	31.12	6	11.90
1A	1O	Peru Ass. 2007	165	1.10	5.22	f3.20
May 1		Turin 9pc 1991	$77	1.5	—	f11.68
15A.	15O.	Turin 6½pc 1984.	DM90	15.10	—	9.45
1F.M.A.N.		Uruguay 3½pc	96	2.2	3½	3.90

AMERICANS

Dividends Paid	Stock	Price £	Last xd	Div. Gross	C'w	Y'ld Gr's
Apr. Oct.	ASA	20⅝	11.2	$5.00	—	10.8
M.J.S.D.	AMF 5% Conv. '87	275xd	19.2	5%	—	f18.1

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

FINANCE, LAND—Continued

OIL AND GAS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Barymin	47	—	—	—	—
	May	Burma Mines 10p	$14\frac{1}{2}$	14.4	0.62	1.1	6.2
—		Colby Res. Corp.	295	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	230	30.6	t030c	1.0	7.5
—		††Hemerdon 10c.	85	—	—	—	—
—		Highwood Res.	155	—	—	—	—
—		Northgate C$1	300	9.77	—	—	—
Jan.	July	R.T.Z.	423	10.11	t16.0	3.2	5.3
—		Do.9$\frac{1}{2}$%Cv.Ln.'95-2000	£104	—	Q9$\frac{1}{2}$%	—	f9.5
—		††SPO Minerals 10p	142	—	—	—	—
—		Sabina Inds. C$1.	33	—	—	—	—
—		††SWCM 10p	23	—	—	—	—
—		Tara Exptn. $1	475	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ◊ Not comparable.
- ◊ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ★★ Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1982. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	41	......	**IRISH**		
Bertam	$17\frac{1}{2}$	......	Conv. 9% '80/82	£94	......
Bdg'wtr. Est. 50p	545	......	Nat. 9¾% 84/89	£75$\frac{5}{8}$	......
Craig & Rose £1	£11¼	......	Fin. 13% 97/02	£79⅝	......
Fife Forge	41	......	Alliance Gas	52	......
Finlay Pkg. 5p	28	......	Arnott	235	......
Graig Ship. £1	£20	......	Carroll (P.J.)	83	......
Higsons Brew	67	−3	Concrete Prods.	94	......
Holt (Jos) 25p	400	+10	Helton (Hldgs.)	30xd	......
I.O.M. Stm. £1	160xd	......	Ins. Corp.	395	......
Pearce (C. H.)	460	......	Irish Ropes	40	......
Peel Mills	$82\frac{1}{2}$	......	Jacob	40	......
Sheff. Refrshmt.	93	......	T.M.G.	24	......
Sindall (Wm.)	135	......	Unidare	82xd	......

OPTIONS

3-month Call Rates

Industrials		I.C.I.	28	Utd. Drapery	$6\frac{1}{2}$
A. Brew	7	"Imps"	7	Vickers	14
BOC Intl.	9	I.C.L.	9	Woolworths	5
B.S.R.	$4\frac{1}{2}$	Inveresk	3		
Babcock	11	Ladbroke	24	**Property**	
Barclays Bank	40	Legal & Gen.	28	Brit. Land	8
Beecham	15	Lex Service	9	Cap. Counties	11
Blue Circle	30	Lloyds Bank	28	Land Secs.	35
Boots	20	"Lots"	4	MEPC	28
Bowaters	20	London Brick	6	Peachey	8
B.A.T.	25	Lucas Inds.	20	Samuel Props.	15
Brown (J.)	$6\frac{1}{2}$	"Mams"	28	Town & City	$2\frac{1}{4}$
Burton	10	Mrks. & Spncr	9		
Cadburys	6	Midland Bank	32	**Oils**	
Courtaulds	6	N.E.I.	7	Brit. Petroleum	36
Debenhams	8	Nat. West. Bank	32	Burmah Oil	19
Distillers	17	P & O Dfd.	12	Charterhall	11
Dunlop	$7\frac{1}{2}$	Plessey	25	KCA	22
Eagle Star	22	Racal Elect.	32	Premier	10
F.N.F.C.	$3\frac{1}{2}$	R.H.M.	4	Shell	40
Gen. Accident	30	Rank Org.	16	Tricentrol	34
Gen. Electric	59	Reed Intnl.	10	Ultramar	48
Glaxo	22	Sears	$4\frac{1}{2}$		
Grand Met.	14	Tesco	$5\frac{1}{2}$	**Mines**	
G.U.S. 'A'	48	Thorn	28	Charter Cons.	20
Guardian	32	Trust Houses	18	Cons. Gold	45
G.K.N.	16	Tube Invest.	18	Lonrho	10
Hawker Sidd	20	Unilever	50	Rio T. Zinc	45
House of Fraser	15	U.D.T.	$4\frac{1}{2}$		

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FINANCIAL TIMES

Monday March 9 1981

Millions reported near-starving as weather hits crops in two provinces

China turns to UN in food crisis

BY JOHN WYLES IN BRUSSELS

CHINA needs food aid from the outside world for the first time in its post-revolutionary history. Some of the world's largest agricultural producers, including the U.S., Australia, Canada and member of the European Community are considering assistance for two provinces where several million people are reported to be suffering from malnutrition or near-starvation.

Discussions are being co-ordinated in Geneva by the United Nations' Disaster Relief Organisation (UNDRO), but they have remained secret, partly because of the political and financial implications of any relief effort.

Since its Communist revolution more than 30 years ago, the Chinese Government has prided itself on its ability to feed its vast population without resorting to outside aid.

The Peking Government announced recently that grain production fell last year by up to 15m tonnes.

It has now been forced to turn to the UN because of critical food shortages in the provinces of Hebei, to the south of Peking, and Hubei, further south and some 450 miles west of Shanghai.

The crisis in the two provinces has been caused by two extremes of weather—a severe drought in Hebei and chronic flooding in Hubei. The results have been widespread damage and destruction among peasant crops.

UNDRO has made a preliminary assessment of requirements, but is awaiting more precise statements of need from Peking.

UN officials are said to have concluded, however, that the food shortages may be serious enough to tax even a co-ordinated international effort and to be beyond the resources of a single country or a small group of countries.

Peking has avoided making formal requests for food relief, and apparently wants signals of a firm readiness to help from around the world first.

Most of the 18 or 19 countries which could be enlisted in a relief effort are thought ready to respond with some quantities of aid. But in order to obtain the quantities needed, it is thought that the Chinese Government would either have to use some of its scarce foreign exchange or negotiate substantial credits to pay for food purchases.

Both options pose serious problems for the Chinese Government, which is wrestling with growing inflation, and has just announced severe cutbacks in public spending.

Most recently, these cuts have involved the cancellation or delay of heavy capital construction contracts involving overseas companies, particularly Japanese.

Despite these disappointments, most industrialised countries in the West are anxious to help make a success of the pragmatic industrial and economic policies associated with Vice-Chairman Deng Xiaoping.

As a result, theer is a great deal of worry in Western capitals about the possible impact of critical food shortages on the current Government's stability and future prospects.

● Tony Walker adds from Peking: UNDRO surveys in the affected areas concluded that relief was warranted. Its report, however, has been much criticised and is now being redrafted. Some Western diplomats here believe the organisation may have exaggerated the difficulties.

● China ran a budget deficit last year of Y12.1bn (£3.37bn), forcing its state-owned banks to print more money to help finance the shortfall, Reuter reports.

A report from Yao Yilin, the country's top economic planner, said the deficit was Y4.1bn more than the target of Y8bn.

However, the deficit was a 29 per cent drop compared with the 1979 figure of Y17bn.

"Because the amount of currency in circulation went up, the supply of products was not able to keep up and retail prices rose an average of roughly six per cent on the previous year," the report said.

Prices of non-staple foodstuffs, meaning foods other than items such as grain and oils, had risen 13.8 per cent last year. Mr. Yao said the large deficit was mainly due to over-expenditure on capital construction projects, many of which are being axed as part of his retrenchment programme.

Power bill reductions possible

By Martin Dickson, Energy Correspondent

THE electricity supply industry may introduce a new type of contract which could mean lower prices for some major industrial customers.

The move could tie in with a package of measures which the Government is planning to alleviate industry's energy costs.

The electricity scheme, which comes as industry urges Government action to cut energy prices, could mean average savings of four to 5 per cent in the power bills of companies involved.

The plan has been examined in talks between the supply industry and some leading steel and chemicals manufacturers — sectors which have complained particularly bitterly about energy prices — but it could have wider applications. A decision is expected within the next few weeks.

The scheme would extend the existing "load management" system, under which industrial customers are entitled to discounts on electricity supplies if they agree to reduce their power load at times of heavy demand. Manufacturers are warned of the need for reductions several hours in advance.

Under the system, industrialists would be allowed additional discounts in return for them accepting much less notice before reducing power — possibly as little as 15 minutes.

The plan is unlikely to placate industrialists whose anger over high energy prices has been intensified by a report to the National Economic Development Council last week, which said that large users of electricity and gas were paying substantially more than their Continental competitors.

The Government has indicated that it will soon announce measures to cut industry's energy costs — probably in tomorrow's Budget.

But there seems little scope for further measures on electricity prices unless Ministers are prepared either to relax the financial targets they have set for the supply industry or to provide large subsidies for industrial users. Neither action appears likely.

The electricity industry could probably operate the changed load management system within its existing financial framework. It would simply pass on to customers savings it made by not operating expensive standby gas turbine plant used to help meet peak demand.

Mr. David Howell, the Energy Secretary, announced in January that the electricity industry would reassess its load management system. He also asked British Gas to take a fresh look at its similar system of interruptible gas supply contracts.

British Gas has concluded that changes in its interruptible system are not practicable.

ICI seeks aid on switch to coal, Page 4

Bumper wheat crop hope

BY JOHN EDWARDS, COMMODITIES EDITOR

A WORLD food crisis should be averted by bumper wheat crops in the main producing countries in the 1981-82 season which will help rebuild depleted stocks, according to the latest market report from the International Wheat Council.

The council, whose members include leading wheat exporting and importing countries, forecast after its meeting in London last week that world wheat production in the season ending in June next year should rise sufficiently to exceed the expected increase in demand.

It predicts that while total world consumption of wheat will rise by 7m tonnes to 460m, production could jump by more than 25m tonnes to exceed 470m.

Plantings in the major wheat exporting areas were likely to reach record levels and weather conditions in the northern hemisphere had been generally favourable.

Mr. Jean Parotte, the council's executive director, said U.S. farmers had planted wheat "fence to fence" this season and a record crop seemed likely even if the weather was poor.

In the Soviet Union winter wheat plantings had been below target, but the threat of frost damage in any northern hemisphere country was now virtually over.

Mr. Parotte said imports by China might be reduced because of financial restraints, but purchases by the Soviet Union would probably remain high to rebuild stocks. Abundant supplies of rice in Far East Asia should help reduce the rate of increase in wheat purchases from that region.

The International Wheat Agreement has been extended for two years, until June 1983, following the failure so far to agree on the terms of a new pact to control prices and supplies. The present agreement is mainly concerned with collecting market information, but attempts have been made to reintroduce provisions for stabilising the world wheat market more effectively.

However, plans for a more flexible agreement, under which consultations would be called whenever prices moved substantially, have been shelved temporarily, mainly to give more time for the Reagan Administration in the U.S. to decide its attitude to accords of this kind.

Jetsave to cut U.S. fares

By Michael Donne

JETSAVE, the low-cost Atlantic holiday operator, is to cut many of its fares substantially this summer. Included will be a £99 return fare between Gatwick or Manchester and New York on a selected number of flights in May, June and October.

The cheapest Laker fare is £78 single or £156 return.

In the peak summer season, Jetsave's "Latesave" fare will be £179 return to New York, which it says will also be the cheapest available, comparing with Laker's £190 return.

The new Jetsave rates are all "Latesave" fares, which must be booked and paid in full three and a half weeks ahead. They will cover about 5,000 to 6,000 seats out of Jetsave's total 1981 transatlantic programme of about 121,000 seats, each way. Jetsave is expecting a turnover this year of about £50m.

Examples of other "Latesave" rates, showing the savings over normal Jetsave fares in brackets, are: London-Vancouver, from £232 return (£50); Manchester - Edmonton from £215 (£50); Manchester to Loss Angeles and San Francisco from £209 (£115); Manchester to Miami from £159 (£70); Prestwick to New York from £165 (£20); and Prestwick to Los Angeles or San Francisco, from £291 (£20).

Mr. Reg Pycroft, Jetsave's founder and managing director, said: "We decided to launch these price-cutting fares at Budget time to show people that prices can come down, as well as go up.

Fusion project seeks cash boost

BY DAVID FISHLOCK, SCIENCE EDITOR

A CAMPAIGN is about to be launched to persuade EEC countries to spend at least another £70m on constructing the Joint European Torus (JET) an ambitious Community experiment in controlled thermo-nuclear fusion which is already costing about £150m to build.

A motivation for more cash will be put to the EEC Commission in Brussels later this month.

JET is midway through a construction programme begun in 1978, at a site at Culham, near Oxford.

The project management says that the five-year project is on schedule and it expects to have JET ready for its first experiments in mid-1983.

It was always envisaged that, if JET works successfully, it would be extended into a more powerful and more versatile apparatus. The scientists are taking a calculated risk in starting their campaign for extra money before JET is operating.

But their case is that, if the funds are approved in time, development of the machine can proceed smoothly without affecting their scheduled start-up date. In this way, they believe that they could get JET to peak performance as early as 1985, instead of 1987-88 as previously envisaged.

The JET Council, which manages the project, is working on the presentation of a case later this month to the EEC Commission which, in turn, must win approval from the Council of Ministers.

JET still needs approval for the operating costs of the machine already under construction. These are expected to amount to another £70m over the five years from 1983.

JET is currently costing Britain about £5m a year, out of a total budget for fusion research of £18m. The Culham Laboratory of the UK Atomic Energy Authority, close to the JET site, is the support centre for the project.

Dr. Walter Marshall, chairman of the authority, is making major management changes at Culham to bring nuclear fission and fusion research into closer partnership.

Heavy vehicle sales fall steeply

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE Society of Motor Manufacturers and Traders, which represents nearly all the UK producers, expects sales of heavy trucks this year to drop to their lowest level since 1970 when records were first kept in their present form.

The society predicts that demand for trucks of more than 3.5 tonnes will be only 48,000. "We haven't seen anything as low as that since the 1950s."

The society revised its previous forecasts in the light of the steep decline in commercial vehicle registrations for the first two months of 1981 when they were more than 30 per cent below the same period last year.

The predicted sales of 48,000 heavy vehicles represents a drop of nearly 22 per cent from the 61,300 in 1980—itself a fall of 23 per cent from the previous 12 months.

Total commercial vehicle sales in 1981 are now forecast by the society to fall to 235,000, down by 11.7 per cent from the 266,200 for last year.

According to the society, sales of new commercial vehicles in February were 17,509, 32.5 per cent lower than in February 1980. It was the lowest February figure since 1976.

Imports, which traditionally have declined at a time when the UK market demand was weak, rose from 23.26 to 28 per cent, reflecting the relatively better position of the overseas manufacturers because of the high value of the pound. In the first two months importers took a 29 per cent market share against 23 per cent in the same period of 1980.

The main distortion to the February figures was that Ford's Transit, the best-selling commercial vehicle in Britain, was not distributed from the Southampton plant for a week or so in the month because of a dispute involving an outside contractor's drivers.

The society breaks down registration totals into various sectors. Car-derived van registrations in February were 5,316 aginst 7,567 for February 1980. The January and February totals for 1981 and 1980 were 10,379 and 14,759 respectively.

Other van sales reached 7,359 (10,813) in February and 14,115 (20,582) for the two months.

Registrations of trucks and articulated vehicles totalled 3,567 (6,064) in February and 7,264 (12,226) in the two months.

Liquidators sue over gas tanker operation

BY ANDREW FISHER

LIQUIDATORS are suing Phillips Petroleum of the U.S., a transport company controlled by Banque Rothschild of France, and an offshoot of a Japanese tyre group, over a gas tanker operation that collapsed owing creditors $200m (£90m).

Multinational Gas and Petrochemical Company, established in Liberia but run from London, began to be wound up in 1977 after heavy losses in the wake of the 1973-74 oil crisis.

International legal action is being taken against the corporate shareholders and the directors in the hope of recovering funds for creditors who include banks, and oil, shipping, and shipbuilding companies.

Apart from Philtankers, part of Phillips, Multinational's other shareholders were SAGA (Societe Anonyme de Gerance et d'Armement), in which Banque Rothschild controls some 60 per cent, and Bridgestone Liquified Gas of Japan (part-owned by Bridgestone Tire).

A writ issued in the English High Court against the shareholders and nine individuals has already been served on the London end of the operation, Multinational Gas and Petrochemical Services, also being liquidated.

The action is being taken by the UK liquidator on creditors' behalf in the name of the Liberian company, which was dissolved in October 1977 in Liberia and is being wound up in the UK.

The Official Receiver, in a formal statement of affairs last month, said the company failed because its directors misjudged the continuing effect of a recession in trade and allowed it to carry on operating and run into losses.

The writ seeks "damages for breach of duties of care" allegedly owed to the Liberian company by the defending shareholders and directors along with "such further or other relief as the court deems fit."

The UK liquidator of Multinational is Mr. Michael Fowle, a partner of accountants Peat, Marwick, Mitchell and Co. He said it was unlikely the action would come to court before 1982.

According to the statements of affairs, Multinational had assets of £3.4m to set against the £117.2m owed to creditors, leaving a near £114m deficiency. (This was at 1977 sterling/dollar rates; in today's terms, the figure would be about £90m.)

In 1973 and 1974, Multinational made profits totalling more than $20m, but fell into a $12.8m loss in 1975. The loss in the following year rose to $17.7m. In the first half of 1977 there was a $6.8m loss.

Efforts to obtain extra finance, after pressure from bankers to cut its borrowings, were unsuccessful. As a result, it was dissolved in Liberia, with three partners of accountants Thomson McLintock appointed as trustees of the assets.

Headed by Mr. Ian Watt, they have jurisdiction over assets outside the UK, with Mr. Fowle responsible for those in Britain. If finally heard, the legal action will be in London.

Weather

UK TODAY

Mostly cloudy with occasional rain or drizzle

London, E. Anglia, Midlands, Central N., N. E. England
Mainly cloudy, rain at times. Max 11C (52F).

S. England, Wales, Channel Is.
Mostly cloudy, occasional rain, costal fog patches. Max 11C (52F).

E. Scotland
Mainly dry, sunny intervals, rain later. Max. 9C (48F).

W. Scotland, N. Ireland
Sunny intervals and showers, more rain later. Max 8C (45F).

N. E. Scotland, Orkneys, Shetlands
Sunny intervals and showers. Max. 5C (41F).

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	14	57	Luxmbg.	C	10	50
Algiers	F	23	73	Luxor	F	21	70
Amsdm.	C	12	54	Madrid	C	16	61
Athens	R	16	61	Majorca	F	17	71
Bahrain	S	21	70	Malaga	F	20	68
Barclna.	C	16	61	Malta	F	16	61
Belfast	C	9	48	M'chstr	C	12	54
Belgrade	S	18	64	Melbne.	F	24	75
Biarritz	F	20	68	Mx. C.†	F	22	72
Bmghm.	R	11	52	Miami†	S	27	81
Blackpl.	R	9	48	Milan	C	10	50
Bordx.	C	18	64	Moscow	Sn	−4	25
Boulgn.	R	10	50	Munich	C	14	57
Bristol	C	10	50	Nairobi	C	27	81
Brussels	C	14	57	Naples	S	17	63
Budpst.	F	14	57	Nwcstl.	C	13	55
Cardiff	C	10	50	N York†	S	4	39
Cas'b'ca	F	16	61	Nice	C	13	55
Chicg.†	Sn	1	34	Nicosia	S	21	70
Cologne	C	12	54	Oporto	Fg	14	57
Cpnhgn.	Fg	8	46	Oslo	R	−2	28
Corfu	S	17	63	Paris	C	14	57
Denver†	C	4	39	Perth	S	23	73
Dublin	C	10	50	Prague	R	10	50
Dbrvnk.	S	15	59	Rykjvk.	F	−2	28
Ednbgh.	C	10	50	Rhodes	S	17	63
Faro	F	20	68	Rio J'o†	S	28	82
Florence	C	13	55	Rome	F	16	61
Frankft.	R	10	50	Salzbrg.	C	12	54
Funchal	R	11	52	S'ciscot	S	12	54
Geneva	R	8	46	Singapr.	F	31	88
Gilbrltr.	C	19	66	S'tiagot	F	33	91
Gl'sg'w	C	9	48	Stckhm.	C	3	37
G'rnsey	C	10	50	Strasbg.	C	13	55
Helsinki	Sn	−8	18	Sydney	S	24	75
H. Kong	F	22	72	Tangier	F	21	70
Innsbrk.	C	8	46	Tel Aviv	F	17	63
Invrnss.	R	11	42	Tenerife	S	22	72
I.o.man	C	9	48	Tokyo	F	14	57
Istanbul	S	11	52	T'r'nto†	F	−2	28
Jersey	C	11	52	Tunis	F	16	61
Jo'burg	C	24	75	Valencia	C	17	63
L. Pims.	S	20	68	Venice	C	7	45
Lisbon	C	17	63	Vienna	C	11	52
Locarno	C	9	48	Warsaw	C	10	50
London	R	11	52	Zurich	R	9	48
L. Ang.†	S	14	57				

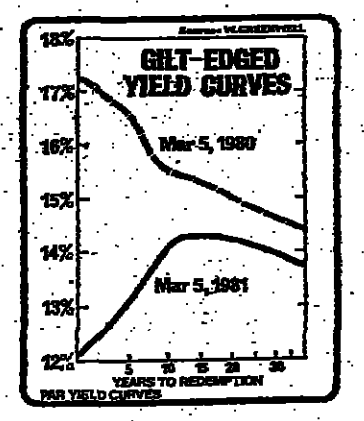
C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

A year into the medium term

Almost every day recently has brought fresh evidence of retreat by the Government — whether in terms of handouts to British Steel, concessions on hopelessly uneconomic coal mines, or the agreement to allow British Telecom to go over its external financing limit. However determined Sir Geoffrey Howe shows himself to be in fiancial terms in his Budget speech tomorrow, the financial markets are bound to remain very doubtful of the Government's political ability to hold to whatever remains of its strategy.

The broken promises of a year ago are all too fresh in the memory — the projected public sector borrowing requirement of £8.5bn that has turned, probably into £13.5bn or so; the promised cuts in Government spending that have turned into rises.



Upward slope

The thinking of the City now and a year ago can neatly be encapsulated in two gilt-edged yield curves. In March 1980 the curve sloped steeply downwards, reflecting expectations of lower interest rates and lower inflation—at the time Sir Geoffrey presented his Budget then year-on-year inflation was running at 19 per cent. Now, however, the curve slopes steeply upwards, at least as far as the 10 to 15 year period which has borne the brunt of recent funding efforts.

Investors still require a 14 per cent return on long bonds even though historic inflation is now down to 13 per cent and may well decline into single figures within a few months. The most favourable period for inflation may already have been seen: over the past six months the average monthly rise in the retail price index has been only around 0.5 per cent. Economic forecasters are now peering ahead to judge when inflation will quicken again—triggered perhaps by the end of industrial destocking, or by weakness in sterling. The London Business School, even though it assumes that the Government can hold to its medium term strategy from now on, expects no significant further improvement in the rate of inflation over the next few years.

Last year the Chancellor unveiled his medium term strategy and attached numbers to it. This time he will have to give a detailed explanation of what has gone wrong and remodel his future plans. On the money side, he cannot do much more than start again with a set of shiny new aggregates and express his hopes of doing better in future. The borrowing side, which started out merely as a back-up for the monetary targets, has assumed greater importance — if only because it is slightly less intangible. So the 1981-82 PSBR has somehow to be worked down to a figure which can be presented as consistent with the 3¾ per cent of gross domestic product — say £7½bn — laid down last March.

Here the debate will be about how much of an overshoot can be justified by the depth of the recession, and it seems fair to reckon that anything over £11bn would be stretching credibility too far. To achieve that against the background of a threatened £15bn, assuming unchanged tax rates, explains why Sir Geoffrey will need to raise substantial sums over and above the £2bn already announced in November; spending cuts would be just as effective, of course, but appear to be impossible.

It must be tempting for the Chancellor to fudge the figure to some extent, and the markets, which have not forgotten the totally unrealistic budgeting for the public corporations this time last year, will be wary. Aside from the more subtle avenues of creative accounting, pledges to cut large sums from the spending total by wiping out social security fraud simply will not do.

Apart from the overall arithmetic of the Budget, the Chancellor as a matter of urgency needs to reappraise the impact of his policies on different sectors. Last year's combination of policies like high interest rates, lower public sector investment spending and higher charges by monopoly nationalised industries has hit the corporate sector very hard.

Personal sector

Effectively, the Government has been trying to offload its deficit on to the personal and corporate sectors. Neither has proved willing to accept it, although the overseas sector has been induced to move into heavy deficit. The corporate sector's measures to maintain financial health have been savage, but the personal sector has had a much easier time of it. Sir Geoffrey will be taking note of this, both by loading more of the tax burden on to individuals and by trying to mop up more of the surplus liquidity of private savers.

The key to the success of the Government's strategy will be in its ability to engineer a substantial reduction in the personal sector financial surplus, now running at some £15bn a year. Only in this way will it be possible for the Government to cut its own deficit without triggering off a further recessionary spiral. Here it all boils down to confidence in the future trend of the economy and of inflation, areas in which Sir Geoffrey's track record is decidedly mixed.

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